



FINANCIAL STATEMENTS

June 30, 2020



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Tennessee Housing Development Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2020, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability for the Closed State and Higher Education Pension Plan, the schedule of proportionate share of net pension asset for the State and Higher Education Retirement Plan, the schedule of contributions to the Closed State and Higher Education Employee Pension Plan, the schedule of contributions to the State and Higher Education Employee Retirement Plan, the schedule of proportionate share of the collective total/net other postemployment benefit liability for the Closed State Employee Group OPEB Plan, the schedule of proportionate share of the collective total other postemployment benefit liability for the Closed Tennessee OPEB Plan, and the schedule of contributions to the Closed State Employee Group OPEB Plan 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, which 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information 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. The 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 information 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 December 14, 2020, on our consideration of the agency'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 agency's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 14, 2020

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management's Discussion and Analysis
June 30, 2020

This section of the Tennessee Housing Development Agency's (THDA) annual financial statements presents management's discussion and analysis of THDA's financial performance for the year ended June 30, 2020, with comparative information presented for the fiscal year ended June 30, 2019. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*. This section should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

The mission statement of THDA is “Leading Tennessee Home by creating safe, sound, affordable housing opportunities.” THDA's goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2020, THDA has originated over 129,000 single-family mortgage loans in its 47-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 70 of Tennessee's 95 counties, as well as the project-based Contract Administration program for approximately 372 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, “The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . .” (Section 13-23-105, *Tennessee Code Annotated*). This board meets regularly on a bimonthly basis; however, some committees may meet more often as situations dictate.

Overview of the Financial Statements

The basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows, as well as notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA's cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Comprehensive Annual Financial Report*. This report may be viewed at <https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html>.

Financial Highlights

Year Ended June 30, 2020

- Total assets increased by \$247.3 million, or 7.5%.
- Total liabilities increased by \$236 million, or 8.5%.
- Net position was \$535.4 million. This is an increase of \$9.3 million, or 1.8%, from fiscal year 2019 net position (as adjusted).
- Cash and cash equivalents decreased by \$182.6 million, or 41.2%.
- Total investments increased by \$36.6 million, or 18.1%.
- Bonds payable increased by \$252.5 million, or 9.6%.
- THDA originated \$675.5 million in new loans, which is an increase of \$7.6 million, or 1.1%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2020	2019
Current assets	\$ 436,492	\$ 550,787
Capital assets	5,181	3,890
Other noncurrent assets	3,103,541	2,743,254
Total assets	3,545,214	3,297,931
Deferred outflows of resources	4,513	4,314
Current liabilities	186,312	220,924
Noncurrent liabilities	2,825,109	2,554,495
Total liabilities	3,011,421	2,775,419
Deferred inflows of resources	2,939	746
Investment in capital assets	5,181	3,890
Restricted net position	491,638	453,704
Unrestricted net position	38,548	68,486
Total net position	\$ 535,367	\$ 526,080

2020 to 2019

First and second mortgage loans receivable (net of allowance for forgivable second mortgages) increased by \$376.2 million. During fiscal year 2020, single-family mortgage loan originations increased by \$7.6 million, whereas mortgage loan payoffs increased by \$32.6 million and mortgage loan repayments increased \$9.1 million. In addition, THDA recognized an allowance for future uncollectable forgivable second mortgages of \$28.5 million for fiscal year 2020.

Total liabilities increased \$236 million. The increase is primarily due to a \$252.5 million increase of bonds payable at June 30, 2020, as compared to June 30, 2019.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2020	2019
Operating revenues		
Mortgage interest income	\$ 119,643	\$ 106,949
Investment income	7,363	14,370
Other	27,495	20,376
Total operating revenues	154,501	141,695
Operating expenses		
Interest expense	81,688	69,520
Other	54,825	50,385
Total operating expenses	136,513	119,905
Operating income	17,988	21,790
Nonoperating revenues (expenses)		
Grant revenues	335,395	342,404
Payments from primary govt	311	665
Grant expenses	(344,407)	(348,669)
Total nonoperating revenues (expenses)	(8,701)	(5,600)
Change in net position	\$ 9,287	\$ 16,190

2020 to 2019

Total operating revenues increased \$12.8 million, primarily due to an increase in mortgage interest income of \$12.7 million. Mortgage interest income increased due to an increase in mortgage loan originations.

Total operating expenses increased \$16.6 million. This is primarily due to an increase in bond interest expense. Bond interest expense increased due to an increase in bonds payable which is primarily attributable to a rise in mortgage loan production.

Nonoperating grant revenues decreased \$7.4 million and nonoperating grant expenses decreased \$4.3 million, primarily due to a decrease in spending in the down payment assistance program, principal reduction loan program, and reinstatement only program. During fiscal year 2020, these programs stopped receiving new applications.

Debt Activity

Bonds outstanding as of June 30, 2020 were \$2,880,811 (expressed in thousands) which is a \$252.5 million increase from bonds outstanding of \$2,628,317 (expressed in thousands) as of June 30, 2019. The increase is deemed primarily attributable to an increase in mortgage loan production. During the fiscal year, THDA issued debt totaling \$658.5 million, with activity arising from four bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded \$141.3 million of outstanding bonds into new bond originations with lower interest rates.

Bond Ratings

For bonds issued under the Homeownership Program Bonds, Moody's Investor Service, Inc. (Moody's) has assigned THDA's bonds a rating of Aa1, and Standard and Poor's Global Ratings (S&P), a division of The McGraw-Hill Companies, Inc., has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

Debt Limits

In accordance with Section 13-23-121, *Tennessee Code Annotated*, THDA operates under a "debt ceiling" of \$2,930,000,000.

On July 15, 2020, Public Chapter No.766 was signed by the governor increasing the "debt ceiling" from \$2,930,000,000 to \$4,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2020	2019	2018 and Prior	Total
Funding Sources:				
THDA	\$10,500,000	\$8,500,000	\$82,300,000	\$101,300,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	\$10,500,000	\$8,500,000	\$86,650,000	\$105,650,000
Approved Uses:				
Rural repair program (USDA)	\$ -	\$ -	\$ 6,300,000	\$ 6,300,000
Ramp Programs & Hsg Modification	-	300,000	1,950,000	2,250,000
Emergency Repairs	2,700,000	2,700,000	23,900,000	29,300,000
Competitive Grants	3,100,000	3,500,000	44,600,000	51,200,000
Rebuild & Recover	500,000	500,000	4,300,000	5,300,000
Challenge Grant Program	500,000	1,000,000	-	1,500,000
Creating Homes Initiative – 2 Program	2,500,000	-	-	2,500,000
COVID-19 Supplemental	500,000	-	-	500,000
Other Grants	700,000	500,000	5,600,000	6,800,000
Totals	\$10,500,000	\$8,500,000	\$86,650,000	\$105,650,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed rate mortgage product while still offering down payment assistance with the addition of the Great Choice Plus loan program, which is a second mortgage at a 0% interest rate for a term of 10 years. During fiscal year 2015, the Great Choice Plus loan product was modified to a forgivable second mortgage, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced within the first nine years of closing. Beginning in year 10, the loan is forgiven at the rate of 20% per year. The loan is fully forgiven at the end of year 15. Subsequently, in October of 2016, the Great Choice Loan product was revised to feature a 30-year forgiveness requirement, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced or otherwise paid in full within the first 30 years of closing.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as “Homeownership for the Brave,” provides a 0.5% rate reduction on the current interest rate for Great Choice loans. In addition to the rate reduction, Homeownership for the Brave applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan at a 0% interest rate.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages, interest-only mortgages,

“buy-down” loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase “sub-prime” mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development);
- VA (Veterans Administration Guaranty Program);
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration); and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed listing of these mortgage loan products and primary mortgage loan terms may be obtained from THDA’s Internet site at <https://thda.org/homebuyers>.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2020, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage ¹
60 – 89 Days Past Due	28,357	730	\$ 81,114,729	2.57%
90+ Days Past Due	28,357	1,675	175,519,216	5.91%
In Foreclosure	28,357	118	10,353,119	0.42%

¹ Percentage is calculated by dividing the “Number of Loans in Status” by the “Total Number of Loans Serviced.”

Economic Factors

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Trent Ridley, Chief Financial Officer, at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2020
(Expressed in Thousands)

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 205,975
Investments (Note 2)	76,876
Receivables:	
Accounts	17,500
Interest	15,546
Loans held for resale	1,914
First mortgage loans	78,442
Due from federal government	40,239
Total current assets	<u>436,492</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (Note 2)	54,437
Investments (Note 2)	133,674
Investment interest receivable	296
Investments (Note 2)	28,493
First mortgage loans receivable	2,809,434
Second mortgage loans receivable	77,879
Allowance for uncollectable second mortgages	(28,511)
Other receivables (Note 1)	24,421
Unearned service release premium	13
Advance to local government	3,144
Net pension asset (Note 5)	261
Capital assets:	
Furniture and equipment	9,180
Less accumulated depreciation	(3,999)
Total noncurrent assets	<u>3,108,722</u>
Total assets	<u>3,545,214</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refundings	197
Deferred outflows related to pensions (Note 5)	2,983
Deferred outflows related to OPEB (Note 9)	233
Deferred outflows related to defeased bonds (Note 3?)	1,100
Total deferred outflows of resources	<u>4,513</u>

LIABILITIES

Current liabilities:	
Accounts payable	19,722
Accrued payroll and related liabilities	816
Compensated absences	827
Due to primary government	79
Interest payable	44,259
Escrow deposits	25,539
Prepayments on mortgage loans	1,620
Line of credit payable	1,915
Due to federal government	14,760
Bonds payable (Note 3)	76,775
Total current liabilities	<u>186,312</u>
Noncurrent liabilities:	
Bonds payable (Note 3)	2,804,036
Compensated absences	858
Net pension liability (Note 5)	6,288
Total OPEB liability (Note 9)	1,653
Escrow deposits	12,251
Arbitrage rebate payable	23
Total noncurrent liabilities	<u>2,825,109</u>
Total liabilities	<u>3,011,421</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (Note 5)	1,097
Deferred inflows related to OPEB (Note 9)	1,842
Total deferred inflows of resources	<u>2,939</u>

NET POSITION

Investment in capital assets	5,181
Restricted for single family bond programs (Note 4 and Note 7)	465,198
Restricted for grant programs (Note 4)	23,026
Restricted for Homebuyers Revolving Loan Program (Note 4)	3,153
Restricted for net pension asset (Note 5)	261
Unrestricted (Note 7)	38,548
Total net position	<u>\$ 535,367</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

OPERATING REVENUES	
Mortgage interest income	\$ 119,643
Investment income:	
Interest	5,976
Net increase in the fair value of investments	1,387
Federal grant administration fees	15,540
Fees and other income	<u>11,955</u>
Total operating revenues	<u>154,501</u>
OPERATING EXPENSES	
Salaries and benefits	24,415
Contractual services	7,309
Materials and supplies	1,468
Rentals and insurance	110
Other administrative expenses	567
Other program expenses	14,720
Interest expense	81,688
Issuance costs	4,996
Depreciation	<u>1,240</u>
Total operating expenses	<u>136,513</u>
Operating income	<u>17,988</u>
NONOPERATING REVENUES (EXPENSES)	
Federal grants revenue	335,395
Payment from primary government (Note 10)	311
Federal grants expenses	(335,325)
Local grants expenses	<u>(9,082)</u>
Total nonoperating revenues (expenses)	<u>(8,701)</u>
Change in net position	<u>9,287</u>
Total net position, July 1	526,080
Total net position, June 30	<u>\$ <u>535,367</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 397,316
Receipts from federal government	15,357
Other miscellaneous receipts	11,955
Acquisition of mortgage loans	(675,523)
Payments to suppliers	(29,102)
Payments to or for employees	<u>(24,149)</u>
Net cash used by operating activities	<u>(304,146)</u>
Cash flows from non-capital financing activities:	
Operating grants received	328,634
Payment from primary government	311
Proceeds from sale of bonds	679,842
Operating grants paid	(345,730)
Call premium paid	(1,201)
Cost of issuance paid	(4,996)
Principal payments	(418,185)
Interest paid	<u>(85,844)</u>
Net cash provided by non-capital financing activities	<u>152,831</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(2,529)</u>
Net cash used by capital and related financing activities	<u>(2,529)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	370,833
Purchases of investments	(406,943)
Investment interest received	6,520
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	<u>850</u>
Net cash used by investing activities	<u>(28,740)</u>
Net decrease in cash and cash equivalents	(182,584)
Cash and cash equivalents, July 1	<u>442,996</u>
Cash and cash equivalents, June 30	<u>\$ 260,412</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

Reconciliation of operating income to	
net cash used by operating activities:	
Operating income	\$ <u>17,988</u>
Adjustments to reconcile operating income to	
net cash used by operating activities:	
Depreciation	1,240
Changes in assets and liabilities:	
(Increase) in accounts receivable	(8,694)
(Increase) in mortgage interest receivable	(929)
(Increase) in other receivables	(3,511)
(Increase) in unearned service release premium	(13)
(Increase) in pension asset	(184)
Decrease in deferred pension outflows	652
Decrease in deferred OPEB outflows	123
(Increase) in loans held for resale	(1,914)
(Increase) in mortgage loans receivable	(376,195)
(Increase) in due from federal government	(183)
(Decrease) in accounts payable	(13,420)
Increase in accrued payroll /	
compensated absences	247
(Decrease) in due to primary government	(19)
Increase in line of credit payable	1,915
(Decrease) in arbitrage rebate liability	(356)
(Decrease) in pension liability	(709)
(Decrease) in OPEB liability	(1,698)
Increase in deferred pension inflows	858
Increase in deferred OPEB inflows	1,335
Investment income included as operating revenue	(7,363)
Interest expense included as operating expense	81,688
Issuance cost included as operating expense	<u>4,996</u>
Total adjustments	<u>(322,134)</u>
Net cash used by operating activities	\$ <u><u>(304,146)</u></u>
Noncash investing, capital, and financing activities:	
Increase in fair value of investments	\$ <u>741</u>
Total noncash investing, capital, and financing activities	\$ <u><u>741</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, *Code of Federal Regulations*, Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds

Notes to the Financial Statements (Continued)

and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of \$5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

<u>Description</u>	<u>Estimated Life</u>
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds, Bond Reserve Funds, the Tax and Insurance Holding/Escrow account, Funds on deposit for, or on behalf of, borrower's related to Loan Servicing, Hardest Hit Fund cash, and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Notes to the Financial Statements (Continued)

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Other Receivables

Amounts reported as Other Receivables are for amounts related to acquiring servicing rights from THDA's partners. Beginning in FY 2018, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans, and in association with typical industry practices, THDA paid one percent (1%) of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In FY 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers, which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Other Receivables, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S. federal government, public housing bonds secured by contracts with the U.S. federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Notes to the Financial Statements (Continued)

Mortgages

Mortgages are carried at their original amount less collected principal.

Secondary Market Mortgage Program

During FY 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a “seller/servicer.” To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency’s primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within ten years of the origination date. Beginning on the eleventh anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course of time, or not recovered due to foreclosure, an allowance account has been established for those

Notes to the Financial Statements (Continued)

loans that may enter the forgivable period or for loss due to foreclosure. During the fiscal year 2020, the agency determined that an amount of second mortgage down payment assistance loans are not expected to be recovered due to forgiveness or foreclosure. This amount was recorded as an allowance.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Notes to the Financial Statements (Continued)

At June 30, 2020, the bank balance was \$54,270,335. This amount includes \$28,932,536.98; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans, and \$11,178.91; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Freddie Mac serviced loans. All bank balances at June 30, 2020, were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury requires the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of \$250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2020, \$14,566,790 was in the BNYM. Of this amount, \$14,316,790 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund's investments are measured at amortized cost. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the State of Tennessee Treasurer's Report. That report is available on the state's website at www.treasury.tn.gov.

Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within five years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Notes to the Financial Statements (Continued)

	June 30, 2020	
Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$101,363,209	0.537
U.S. Treasury Coupon	6,568,600	2.851
U.S. Agency Discount	213,816,146	0.218
Total	\$321,747,955	0.373

Fair Value Measurements – THDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2020, (expressed in thousands):

	June 30, 2020			
Assets by Fair Value Level	Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	\$101,363	\$ -	\$101,363	\$ -
U.S. Treasury Coupon	6,569	6,569	-	-
U.S. Agency Discount	213,816	-	213,816	-
Total debt securities	\$321,748	\$ 6,569	\$315,179	\$ -

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency’s permitted investments. Credit quality ratings for the agency’s investments as of June 30, 2020, are included in the schedules below. Securities are rated using Standard and Poor’s and/or Moody’s and are presented below using the Standard and Poor’s rating scale.

Notes to the Financial Statements (Continued)

June 30, 2020					
Investment Type	Fair Value	U.S. Treasury ¹	AAA	AA+	Not Rated ²
U.S. Agency Coupon	\$101,363,209	\$ -	\$ -	\$ 101,363,209	\$ -
U.S. Treasury Coupon	6,568,600	6,568,600	-	-	-
U.S. Agency Discount	213,816,146	-	-	-	213,816,146
Total	\$321,747,955	\$6,568,600	\$ -	\$ 101,363,209	\$213,816,146

In addition to these investments, the agency has \$124,757,340 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA. **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than 5% of the agency's investments are invested in the following single issuers:

June 30, 2020		
<u>Issuer</u>	<u>Fair Value</u> <i>(Thousands)</i>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$232,422	72.24
Federal Home Loan Mortgage Corp.	\$80,010	24.87

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

Note 3. Liabilities

Bonds Issued and Outstanding

Homeownership Program Bonds			
Series	Maturity Range	Issued Amount <i>(Thousands)</i>	Interest Rate <i>(Percent)</i>
2010-1	1/1/2011 – 7/1/2025	120,700	0.35 to 4.50
2011-1	7/1/2012 – 7/1/2042	141,255	0.60 to 4.65
2012-1	1/1/2013 – 7/1/2042	133,110	0.80 to 4.50
2012-2	7/1/2013 – 7/1/2043	97,625	0.50 to 4.00
Total Homeownership Program Bonds		\$492,690	\$ 74,975
Plus: Unamortized Bond Premiums			668

¹ This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

² This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

Notes to the Financial Statements (Continued)

Net Homeownership Program Bonds

\$ 75,643

Housing Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2020 (Thousands)
2009-A	1/1/2011 – 1/1/2040	\$100,000	0.90 to 4.625	\$ -
2010-A	1/1/2011 – 7/1/2041	160,000	0.60 to 5.00	-
2010-B	7/1/2011 – 7/1/2041	100,000	0.45 to 4.50	-
2011-A	7/1/2011 – 7/1/2041	100,000	0.45 to 4.50	6,600
2011-B	7/1/2012 – 7/1/2041	100,000	0.25 to 4.50	-
2011-C	7/1/2012 – 7/1/2041	100,000	0.40 to 4.30	-
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	75,015

Total Housing Finance Program Bonds

\$810,000

\$81,615

Plus: Unamortized Bond Premiums

1,620

Net Housing Finance Program Bonds

\$83,235

Residential Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2020 (Thousands)
2013-1	1/1/2014 – 7/1/2043	\$ 215,905	0.40 to 4.00	\$ 63,665
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	46,615
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	63,120
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	79,035
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	85,710
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	104,480
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	89,405
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	90,030
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	29,480
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	71,315
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	138,405
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	88,885
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	89,235
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	90,350
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	148,545
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	142,630
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	212,465
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	171,540
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	196,040
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	150,000
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	200,000
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	200,000
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	108,500

Total Residential Finance Program Bonds

\$3,417,305

\$2,659,450

Plus: Unamortized Bond Premiums

62,511

Subtract: Unamortized Bond Discount

(28)

Net Residential Finance Program Bonds

\$2,721,933

Net Total All Bonds

\$2,880,811

Notes to the Financial Statements (Continued)

Housing Finance Program Bonds – The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of \$85,290,000. The \$85,290,000 was blended with the market rate 2010-A bonds in the amount of \$74,710,000 for a total of \$160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2010-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-A bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of \$34,710,000. The \$34,710,000 was blended with the market rate 2011-C bonds in the amount of \$65,290,000 for a total of \$100,000,000.

Debt Service Requirements

Debt service requirements to maturity at June 30, 2020, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2021	\$ 55,185	\$ 90,488	\$ 145,673
2022	88,695	91,121	179,816
2023	90,945	89,200	180,145
2024	93,095	87,064	180,159
2025	95,235	84,725	179,960
2026 – 2030	497,450	383,186	880,636
2031 – 2035	523,720	302,773	826,493
2036 – 2040	556,455	209,057	765,512
2041 – 2045	476,090	111,988	588,078
2046 – 2050	335,820	30,822	366,642
2051	3,350	61	3,411
Total	\$2,816,040	\$1,480,485	\$4,296,525

Notes to the Financial Statements (Continued)

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,816,040 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of \$2,816,040 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2020 is \$73,084,661.

Redemption of Bonds and Notes

During the year ended June 30, 2020, bonds were retired at par before maturity in the Homeownership Program in the amount of \$34,715,000, in the Housing Finance Program in the amount of \$24,975,000, and in the Residential Finance Program in the amount of \$150,780,000. The respective carrying values of the bonds were \$35,130,720, \$25,345,472 and \$156,494,345. This resulted in revenue to the Homeownership Program of \$415,720, to the Housing Finance Program of \$370,472, and to the Residential Finance Program of \$5,714,345.

On June 27, 2019 the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2019-2. On July 1, 2019, the agency used \$7,520,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$7,520,000 early redemption). The carrying amount of these bonds was \$7,520,000. The refunding reduced the agency's debt service by \$801,953 over the next 20.5 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$543,000.

On September 30, 2019 the agency issued \$150,000,000 in Residential Finance Program Bonds, Issue 2019-3.

On December 11, 2019, the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2019-4. On January 1, 2020, the agency used \$31,850,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$31,850,000 early redemption). The carrying amount of these bonds was \$31,850,000. The refunding reduced the agency's debt service by \$1,694,804 over the next 20 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$3,533,187.

On March 25, 2020, the agency issued \$200,000,000 in Residential Finance Program Bonds, Issue 2020-1.

On May 28, 2020, the agency issued \$108,500,000 in Residential Finance Program Bonds, Issue 2020-2. On June 1, 2020, the agency used \$36,390,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of \$36,390,000 early redemption)

Notes to the Financial Statements (Continued)

and the agency used \$65,510,000 of these bonds to refund bonds previously issued in the Housing Finance Program (this amount consists of \$65,510,000 early redemption). The carrying amount of these bonds was \$101,999,244. On July 1, 2020 the Agency will use \$6,600,000 to refund in bonds in Housing Finance Program. The refunding increased the agency's debt service by \$305,924 over the next 20-20.5 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$6,460,552. Some of these bonds were defeased May 28, 2020 and the bond holders will be paid July 1, 2020 or January 1, 2021 per the certificate of defeasement.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2020 (expressed in thousands).

Long Term Liability	Beginning Balance July 1, 2019	Additions	Reductions	Ending Balance June 30, 2020	Amounts Due Within One Year³
Bonds Payable	\$2,575,725	\$658,505	(\$418,190)	\$2,816,040	\$76,775
Plus: Unamortized Bond Premiums	52,622	21,409	(9,232)	64,799	-
Less: Unamortized Bond Discounts	(30)	-	2	(28)	-
Compensated Absences	1,500	1,345	(1,160)	1,685	827
Escrow Deposits	39,188	55,153	(56,551)	37,790	25,539
Arbitrage Rebate Payable	379	-	(356)	23	-
Total	\$2,669,384	\$736,412	(\$485,487)	\$2,920,309	\$103,141

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

³Amounts due within one year include management authorized bond refundings at June 30.

Notes to the Financial Statements (Continued)

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Explore-Your-TN-Treasury/About-the-Treasury/Department-Reports>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-

Notes to the Financial Statements (Continued)

half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2020, to the Closed State and Higher Education Employee Pension Plan were \$1,891,824, which is 19.66 percent of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2020, THDA reported a liability of \$6,288,060 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. THDA’s proportion of the net pension liability was based on a projection of THDA’s contributions during the year ended June 30, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, THDA’s proportion was 0.445278 percent. The proportion measured as of June 30, 2018, was 0.433148 percent.

Pension expense – For the year ended June 30, 2020, THDA recognized a pension expense of \$2,571,320. Allocated pension expense was \$2,518,415 before being increased by \$52,905 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 296	\$ 99
Net difference between projected and actual earnings on pension plan investments	-	827
Change in proportionate share of net asset or liability	186	-
Changes in assumptions	452	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2019	1,892	-

Notes to the Financial Statements (Continued)

Total	\$2,826	\$926
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Deferred outflows of resources, resulting from THDA's employer contributions of \$1,892 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: (expressed in thousands):

Year Ended June 30:	
2021	674
2022	(488)
2023	(152)
2024	(26)
2025	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected six years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of

Notes to the Financial Statements (Continued)

pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%.

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what THDA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$15,174,662	\$6,288,060	\$(941,265)

Notes to the Financial Statements (Continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/Explore-Your-TN-Treasury/About-theTreasury/Department-Reports..

Payable to the Pension Plan

At June 30, 2020, THDA reported a payable of \$151,327 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2020.

State and Higher Education Employee Retirement Plan **General Information about the Pension Plan**

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Explore-Your-TN-Treasury/Department-Reports>.

Benefits provided – *Tennessee Code Annotated* Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member’s highest five consecutive year average compensation by 1.0 percent multiplied by member’s years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member’s age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the

Notes to the Financial Statements (Continued)

previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2020, to the State and Higher Education Employee Retirement Plan were \$129,315, which is 1.73 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2020, THDA reported an asset of \$260,604 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA's proportion of the net pension asset was based on a projection of THDA's contributions during the year ended June 30, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, THDA's proportion was 0.628303 percent. The proportion measured as of June 30, 2018, was 0.198493 percent.

Pension expense – For the year ended June 30, 2020, THDA recognized a pension expense of \$68,176. Allocated pension expense was \$85,037 before being decreased by \$16,861 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2020, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6	\$8
Net difference between projected and actual earnings on pension plan investments	-	11

Notes to the Financial Statements (Continued)

Changes in proportion of share of net asset or liability	15	152
Changes in assumptions	7	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2019	129	-
Total	\$157	\$171

Deferred outflows of resources, resulting from THDA's employer contributions of \$129,315 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2021	(20)
2022	(21)
2023	(18)
2024	(17)
2025	(16)
Thereafter	(51)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with generational mortality improvement.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return

Notes to the Financial Statements (Continued)

was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents THDA’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what THDA’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)

Notes to the Financial Statements (Continued)

Tennessee Housing Development Agency's proportionate share of the net pension liability (asset)	\$42,692	\$(260,604)	\$(488,766)
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Payable to the Pension Plan

At June 30, 2020, THDA reported a payable of \$11,324 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2020, for both defined benefit pension plans was \$2,639,496.

Note 6. Deferred Compensation Plans

The THDA, through the State of Tennessee, offers employees two deferred compensation plans, one established pursuant to Internal Revenue Code, Section 457, and the other pursuant to *Internal Revenue Code* (IRC), Section 401(k). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 457 plan is voluntary for employees. The THDA provides up to a \$50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

The THDA recognized a pension expense of \$506,286 for employer contributions.

The THDA recognized a pension payable of \$22,027 for employer contributions.

Note 7. Provisions for Mortgage Loan Losses

Notes to the Financial Statements (Continued)

Most mortgage loans are insured by the Federal Housing Administration, an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of \$750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development Loan Guarantee Program. An additional \$232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and \$500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

Note 8. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation

Notes to the Financial Statements (Continued)

is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2020, is presented in the *Tennessee Comprehensive Annual Financial Report (CAFR)*. The CAFR is available on the state's website at www.tn.gov/finance/rd-doa/fa-accfin-cafr.html. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2020, the Risk Management Fund held \$231 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 9. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65

Notes to the Financial Statements (Continued)

participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 201, *Tennessee Code Annotated*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred provider organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent

Contributions - Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Part 201, *Tennessee Code Annotated*, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent, or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2020 was \$145.4 million. The Tennessee Housing Development Agency share of the ADC was \$415 thousand. During the fiscal year the Tennessee Housing Development Agency contributed \$142 thousand to the OPEB Trust. The state general assembly has the authority to change the contribution requirements for the employers participating in the EGOP.

Net OPEB Liability

Proportionate share - The Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability, related to the EGOP, was \$1.7 million. At the June 30, 2019, measurement date, the Tennessee Housing Development Agency's proportion of the collective net OPEB liability was 0.173646%. The proportion existing at the prior measurement date was 0.241928%. This resulted in a change in proportion of (0.068282%) between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and measurement date of June 30, 2019.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.03% for 2020, decreasing annually to an ultimate rate of 4.5% for 2029 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Long-term Expected Rate of Return- The long-term expected rate of return of 6 percent on the OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Title 8, Chapter 27, Part 802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Notes to the Financial Statements (Continued)

<u>Asset Class</u>	Allocation Range		
	<u>Minimum</u>	<u>Maximum</u>	<u>Target Allocation</u>
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	<u>5%</u>
			<u>100%</u>

The best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.75%
Developed market international equity	5.63%
Emerging market international equity	5.95%
Private equity and strategic lending	4.60%
U.S. fixed income	0.63%
Real estate	4.28%

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. This rate reflects an increase of 2.38% over the 3.62% used at the prior measurement date. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state's funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The change in discount rate used is due to the transition of the EGOP from a pay-as-you-go arrangement to a prefunding arrangement through a qualified trust.

Changes in assumptions - The discount rate was changed from 3.62% as of the beginning of the measurement period to 6% as of June 30, 2019. This change in assumption decreased the total OPEB liability. Other minor changes in assumptions were made, however, the impact on the net OPEB liability was considered to be insignificant.

Notes to the Financial Statements (Continued)

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5%) or 1-percentage-point (7%) than the current discount rate (expressed in thousands).

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the collective net OPEB liability	\$ 1,829	\$ 1,653	\$ 1,491

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.03% decreasing to 3.5%) or 1-percentage-point higher (7.03% decreasing to 5.5%) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease (5.03% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.03% decreasing to 4.5%)	1% Increase (7.03% decreasing to 5.5%)
Proportionate share of the collective net OPEB liability	\$ 1,423	\$ 1,653	\$ 1,921

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

OPEB Expense - For the fiscal year ended June 30, 2020, the Tennessee Housing Development Agency recognized negative OPEB expense of \$99 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2020, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 105
Changes of assumptions	90	395
Net difference between actual and projected investment earnings	1	-

Notes to the Financial Statements (Continued)

Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	1,342
Payments subsequent to the measurement date	142	
Total	\$ 233	\$ 1,842

The amounts shown above for “contributions subsequent to the measurement date” will be recognized as a reduction to the collective total OPEB liability in the following measurement period.

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

For the year ended June 30:

2021	\$ (291)
2022	(291)
2023	(291)
2024	(291)
2025	(291)
Thereafter	(296)

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government) as well as the Tennessee Student Assistance Corporations, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University, and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, benefits are established and amended by

Notes to the Financial Statements (Continued)

cooperation of insurance committees created by Title 8, Chapter 27, Parts 201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid \$8,250 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the Closed TN OPEB Plan liability associated with the Tennessee Housing Development Agency’s employees. The primary government’s proportion and proportionate share of the total OPEB liability associated with the Tennessee Housing Development Agency was \$345 thousand. At the June 30, 2019, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.000197%. This represents a change of 0.000017% from the prior proportion of 0.000180%. The proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and a measurement date of June 30, 2019.

Actuarial assumptions – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%

Notes to the Financial Statements (Continued)

Healthcare cost trend rates The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.51 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Bond Municipal Bond Index.

Changes in assumptions – The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government’s proportionate share of the Tennessee Housing Development Agency’s related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51%) or 1-percentage-point higher (4.51%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Primary government’s share of the collective total OPEB liability	\$ 400	\$ 345	\$ 301

Notes to the Financial Statements (Continued)

OPEB expense – For the fiscal year ended June 30, 2020, the primary government recognized OPEB expense of \$13 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2020 was \$86 thousand, which consisted of negative OPEB expense of \$99 thousand for the EGOP and \$13 thousand paid by the primary government for the TNP.

Note 10. On-Behalf Payments

During the year ended June 30, 2020, the State of Tennessee made payments of \$8,250 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of \$302,535 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*.

Note 11. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, \$15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the agency to the State General Fund. The \$43,000,000 transferred from the agency came from the following resources of the agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of \$35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Note 12. Subsequent Events

Residential Finance Program Bonds, Issue 2020-3, were sold on July 16, 2020. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2020-3	1/1/2021 – 7/1/2050	\$145,000,000	0.350 – 3.500

Residential Finance Program Bonds, Issue 2020-4, were authorized by the board of directors on July 29, 2020, not to exceed \$200,000,000. The sale of the bonds will occur no later than December 30, 2020.

Notes to the Financial Statements (Continued)

Residential Finance Program Bonds, Issue 2020-4, were sold on October 28, 2020. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (<i>Percent</i>)
2020-4	7/1/2021 – 1/1/2051	\$145,000,000	0.150 – 3.000

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contribution
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Liability	THDA's Proportionate Share of the Net Pension Liability	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.445278%	\$ 6,288	\$ 10,040	62.63%	91.67%
2019	0.433148	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%
2015	0.429581%	2,964	11,601	25.55%	95.11%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportionate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.628303%	\$ 261	\$ 5,893	-4.42%	122.36%
2019	0.198493%	77	4,410	-1.74%	132.39%
2018	0.170803%	35	3,068	1.15%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.457171%	13	498	2.60%	142.55%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contribution
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2020	\$ 1,892	\$ 1,892	\$ -	\$ 9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%
2015	1,652	1,652	-	10,994	15.03%
2014	1,744	1,744	-	11,601	15.03%
2013	1,693	1,693	-	11,264	15.03%
2012	1,632	1,632	-	10,946	14.91%
2011	1,586	1,586	-	10,637	14.91%

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contributions
State and Higher Education Employee Retirement Plan With TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2020	\$ 129	\$ 129	\$ -	\$ 7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.81%
2015	19	19	-	498	3.82%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer proportion of the collective total/net OPEB liability	0.266480%	0.241928%	0.173646%
Employer proportionate share of the collective total/net OPEB liability	\$ 3,578	\$ 3,351	\$ 1,653
Covered-employee payroll	\$ 9,720	\$ 8,999	\$ 9,903
Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	36.81%	37.24%	16.69%
OPEB plan fiduciary net position as a percentage of the total OPEB liability			18.00%

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

The OPEB liability measured as of June 30, 2019 was measured with a 6% discount rate. This was a significant increase from the rate used in prior years and was due to the OPEB plan's transition from pay-as-you-go funding to a prefunding arrangement through a qualifying trust.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

	<i>(Expressed in Thousands)</i>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Employer proportion of the collective total OPEB liability	0.00%	0.00%	0.00%
Primary government proportionate share of the collective total OPEB liability related to THDA	<u>\$ 339</u>	<u>\$ 311</u>	<u>\$ 345</u>
Collective total OPEB liability	<u>\$ 339</u>	<u>\$ 311</u>	<u>\$ 345</u>
Covered-employee payroll	\$ 10,005	\$ 9,529	\$ 10,457

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	2019	2020
Actuarially determined contribution	\$ 373	\$ 415
Contributions in relation to the actuarially determined contribution	209	142
Contribution deficiency (excess)	\$ 164	\$ 273
Covered-employee payroll	\$ 8,999	\$ 9,903
Contributions as a percentage of covered-employee payroll	2.32%	1.43%

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2020
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 10,263	\$ 10,128	\$ 4,610	\$ 9,651	\$ 171,323	\$ 205,975
Investments	-	714	-	-	76,162	76,876
Receivables:						
Accounts	8,290	-	600	536	8,074	17,500
Interest	-	-	683	776	14,087	15,546
Loans held for resale	1,912	-	-	-	2	1,914
First mortgage loans	96	2,319	5,268	2,622	68,137	78,442
Due from federal government	40,239	-	-	-	-	40,239
Due from other funds	-	-	68	-	32,861	32,929
Total current assets	<u>60,800</u>	<u>13,161</u>	<u>11,229</u>	<u>13,585</u>	<u>370,646</u>	<u>469,421</u>
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	43,810	-	9,793	38	796	54,437
Investments	-	-	15,560	6,576	111,538	133,674
Investment Interest receivable	-	-	130	1	165	296
Investments	-	1,026	-	-	27,467	28,493
First mortgage loans receivable	584	47,317	89,746	75,402	2,596,385	2,809,434
Second mortgage loans receivable	-	-	77,879	-	-	77,879
Allowance for uncollectable second mortgages	-	-	(28,511)	-	-	(28,511)
Other receivables	11,955	-	-	-	12,466	24,421
Unearned service release premium	13	-	-	-	-	13
Advance to local government	3,144	-	-	-	-	3,144
Net pension asset	261	-	-	-	-	261
Capital assets:						
Furniture and equipment	9,180	-	-	-	-	9,180
Less accumulated depreciation	(3,999)	-	-	-	-	(3,999)
Total noncurrent assets	<u>64,948</u>	<u>48,343</u>	<u>164,597</u>	<u>82,017</u>	<u>2,748,817</u>	<u>3,108,722</u>
Total assets	<u>125,748</u>	<u>61,504</u>	<u>175,826</u>	<u>95,602</u>	<u>3,119,463</u>	<u>3,578,143</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	-	-	197	197
Deferred outflows related to pensions	2,983	-	-	-	-	2,983
Deferred outflows related to OPEB	233	-	-	-	-	233
Deferred outflows related to defeased bonds	-	-	-	-	1,100	1,100
Total deferred outflows of resources	<u>3,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,297</u>	<u>4,513</u>
LIABILITIES						
Current liabilities:						
Accounts payable	19,565	32	-	6	119	19,722
Accrued payroll and related liabilities	816	-	-	-	-	816
Compensated absences	827	-	-	-	-	827
Due to primary government	79	-	-	-	-	79
Interest payable	-	-	1,341	1,401	41,517	44,259
Escrow deposits	25,539	-	-	-	-	25,539
Prepayments on mortgage loans	-	-	53	40	1,527	1,620
Line of credit payable	1,915	-	-	-	-	1,915
Due to federal government	14,760	-	-	-	-	14,760
Due to other funds	32,929	-	-	-	-	32,929
Bonds payable	-	-	2,755	8,500	65,520	76,775
Total current liabilities	<u>96,430</u>	<u>32</u>	<u>4,149</u>	<u>9,947</u>	<u>108,683</u>	<u>219,241</u>
Noncurrent liabilities:						
Bonds payable	-	-	72,888	74,735	2,656,413	2,804,036
Compensated absences	858	-	-	-	-	858
Net pension liability	6,288	-	-	-	-	6,288
Total OPEB liability	1,653	-	-	-	-	1,653
Escrow deposits	11,865	234	-	-	152	12,251
Arbitrage rebate payable	-	-	23	-	-	23
Total noncurrent liabilities	<u>20,664</u>	<u>234</u>	<u>72,911</u>	<u>74,735</u>	<u>2,656,565</u>	<u>2,825,109</u>
Total liabilities	<u>117,094</u>	<u>266</u>	<u>77,060</u>	<u>84,682</u>	<u>2,765,248</u>	<u>3,044,350</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	1,097	-	-	-	-	1,097
Deferred inflows related to OPEB	1,842	-	-	-	-	1,842
Total deferred inflows of resources	<u>2,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,939</u>
NET POSITION						
Investment in capital assets	5,181	-	-	-	-	5,181
Restricted for single family bond programs	-	-	98,766	10,920	355,512	465,198
Restricted for grant programs	-	23,026	-	-	-	23,026
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Restricted for net pension asset	261	-	-	-	-	261
Unrestricted	336	38,212	-	-	-	38,548
Total net position	<u>\$ 8,931</u>	<u>\$ 61,238</u>	<u>\$ 98,766</u>	<u>\$ 10,920</u>	<u>\$ 355,512</u>	<u>\$ 535,367</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	\$ 6	\$ 60	\$ 8,145	\$ 7,001	\$ 104,431	\$ 119,643
Investment income:						
Interest	337	156	1,046	270	4,167	5,976
Net increase (decrease) in the fair value of investments	-	44	(128)	94	1,377	1,387
Federal grant administration fees	15,540	-	-	-	-	15,540
Fees and other income	11,850	1	-	1	103	11,955
Total operating revenues	<u>27,733</u>	<u>261</u>	<u>9,063</u>	<u>7,366</u>	<u>110,078</u>	<u>154,501</u>
OPERATING EXPENSES						
Salaries and benefits	24,415	-	-	-	-	24,415
Contractual services	7,307	-	-	-	2	7,309
Materials and supplies	1,468	-	-	-	-	1,468
Rentals and insurance	110	-	-	-	-	110
Other administrative expenses	567	-	-	-	-	567
Other program expenses	3,956	222	9,165	48	1,329	14,720
Interest expense	-	-	4,215	5,186	72,287	81,688
Issuance costs	-	-	-	-	4,996	4,996
Depreciation	1,240	-	-	-	-	1,240
Total operating expenses	<u>39,063</u>	<u>222</u>	<u>13,380</u>	<u>5,234</u>	<u>78,614</u>	<u>136,513</u>
Operating income (loss)	<u>(11,330)</u>	<u>39</u>	<u>(4,317)</u>	<u>2,132</u>	<u>31,464</u>	<u>17,988</u>
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	335,395	-	-	-	-	335,395
Payment from primary government	311	-	-	-	-	311
Federal grants expenses	(335,325)	-	-	-	-	(335,325)
Local grants expenses	(9,082)	-	-	-	-	(9,082)
Total nonoperating revenues (expenses)	<u>(8,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,701)</u>
Income (loss) before transfers	<u>(20,031)</u>	<u>39</u>	<u>(4,317)</u>	<u>2,132</u>	<u>31,464</u>	<u>9,287</u>
Transfers (to) other funds	-	(6,739)	(53,058)	(21,401)	-	(81,198)
Transfers from other funds	5,713	-	-	-	75,485	81,198
Change in net position	<u>(14,318)</u>	<u>(6,700)</u>	<u>(57,375)</u>	<u>(19,269)</u>	<u>106,949</u>	<u>9,287</u>
Total net position, July 1	23,249	67,938	156,141	30,189	248,563	526,080
Total net position, June 30	<u>\$ 8,931</u>	<u>\$ 61,238</u>	<u>\$ 98,766</u>	<u>\$ 10,920</u>	<u>\$ 355,512</u>	<u>\$ 535,367</u>

**TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)**

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	\$ 6,255	\$ 4,019	\$ 55,082	\$ 38,226	\$ 293,734	\$ 397,316
Receipts from federal government	15,357	-	-	-	-	15,357
Receipts from other funds	3,899	-	-	-	-	3,899
Other miscellaneous receipts	11,850	1	-	1	103	11,955
Acquisition of mortgage loans	-	(3,489)	(30,246)	-	(641,788)	(675,523)
Payments to suppliers	(14,542)	(202)	(370)	(52)	(13,936)	(29,102)
Payments to other funds	-	-	(1,199)	-	(2,700)	(3,899)
Payments to or for employees	(24,149)	-	-	-	-	(24,149)
Net cash provided (used) by operating activities	(1,330)	329	23,267	38,175	(364,587)	(304,146)
Cash flows from non-capital financing activities:						
Operating grants received	328,634	-	-	-	-	328,634
Payment from primary government	311	-	-	-	-	311
Transfers in (out)	5,713	(6,739)	11,189	82,161	(92,324)	-
Proceeds from sale of bonds	-	-	-	-	679,842	679,842
Operating grants paid	(345,730)	-	-	-	-	(345,730)
Call premium paid	-	-	(79)	(22)	(1,100)	(1,201)
Cost of issuance paid	-	-	-	-	(4,996)	(4,996)
Principal payments	-	-	(80,475)	(133,860)	(203,850)	(418,185)
Interest paid	-	-	(6,314)	(7,868)	(71,662)	(85,844)
Net cash provided (used) by non-capital financing activities	(11,072)	(6,739)	(75,679)	(59,589)	305,910	152,831
Cash flows from capital and related financing activities:						
Purchases of capital assets	(2,529)	-	-	-	-	(2,529)
Net cash used by capital and related financing activities	(2,529)	-	-	-	-	(2,529)
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	3,885	54,299	30,089	306,583	394,856
Purchases of investments	-	(3,814)	(21,965)	(20,504)	(384,683)	(430,966)
Investment interest received	337	157	1,406	302	4,318	6,520
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	21	109	72	648	850
Net cash provided (used) by investing activities	337	249	33,849	9,959	(73,134)	(28,740)
Net decrease in cash and cash equivalents	(14,594)	(6,161)	(18,563)	(11,455)	(131,811)	(182,584)
Cash and cash equivalents, July 1	68,667	16,289	32,966	21,144	303,930	442,996
Cash and cash equivalents, June 30	\$ 54,073	\$ 10,128	\$ 14,403	\$ 9,889	\$ 172,119	\$ 260,412

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2020
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (11,330)	\$ 39	\$ (4,317)	\$ 2,132	\$ 31,464	\$ 17,988
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,240	-	-	-	-	1,240
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(1,365)	78	(109)	(455)	(6,843)	(8,694)
(Increase) decrease in mortgage interest receivable	-	-	547	1,101	(2,577)	(929)
(Increase) decrease in other receivables	8,955	-	-	-	(12,466)	(3,511)
(Increase) in unearned service release premium	(13)	-	-	-	-	(13)
(Increase) in pension asset	(184)	-	-	-	-	(184)
Decrease in deferred pension outflows	652	-	-	-	-	652
Decrease in deferred OPEB outflows	123	-	-	-	-	123
(Increase) in loans held for resale	(1,912)	-	-	-	(2)	(1,914)
(Increase) decrease in mortgage loans receivable	-	381	25,446	30,626	(432,648)	(376,195)
(Increase) in due from federal government	(183)	-	-	-	-	(183)
Decrease in interfund receivables	3,899	-	-	-	-	3,899
(Decrease) in interfund payables	-	-	(1,199)	-	(2,700)	(3,899)
Increase (decrease) in accounts payable	(2,804)	31	(42)	(51)	(10,554)	(13,420)
Increase in accrued payroll / compensated absences	247	-	-	-	-	247
(Decrease) in due to primary government	(19)	-	-	-	-	(19)
Increase in line of credit payable	1,915	-	-	-	-	1,915
(Decrease) in arbitrage rebate liability	-	-	(356)	-	-	(356)
(Decrease) in pension liability	(709)	-	-	-	-	(709)
(Decrease) in OPEB liability	(1,698)	-	-	-	-	(1,698)
Increase in deferred pension inflows	858	-	-	-	-	858
Increase in deferred OPEB inflows	1,335	-	-	-	-	1,335
Investment income included as operating revenue	(337)	(200)	(918)	(364)	(5,544)	(7,363)
Interest expense included as operating expense	-	-	4,215	5,186	72,287	81,688
Issuance cost included as operating expense	-	-	-	-	4,996	4,996
Total adjustments	<u>10,000</u>	<u>290</u>	<u>27,584</u>	<u>36,043</u>	<u>(396,051)</u>	<u>(322,134)</u>
Net cash provided (used) by operating activities	\$ (1,330)	\$ 329	\$ 23,267	\$ 38,175	\$ (364,587)	\$ (304,146)
Noncash investing, capital, and financing activities:						
Increase in fair value of investments	\$ -	\$ 21	\$ 59	\$ 2	\$ 659	\$ 741
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 59</u>	<u>\$ 2</u>	<u>\$ 659</u>	<u>\$ 741</u>



FINANCIAL STATEMENTS

June 30, 2021



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Tennessee Housing Development Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express

no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of THDA's proportionate share of the net pension liability for the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's proportionate share of the net pension asset for the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's contributions to the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's contributions to the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's proportionate share of the collective total/net OPEB liability for the Closed State Employee Group OPEB Plan, the schedule of THDA's proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan, and the schedule of contributions to the State of Tennessee Postemployment Benefits Trust for the Closed State Employee Group OPEB Plan 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, which 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information 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. The 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 information 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 November 29, 2021, on our consideration of the agency'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 agency's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
November 29, 2021

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management’s Discussion and Analysis
June 30, 2021

This section of the Tennessee Housing Development Agency’s (THDA) annual financial statements presents management’s discussion and analysis of THDA’s financial performance for the year ended June 30, 2021, with comparative information presented for the fiscal year ended June 30, 2020. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*. This section should be read in conjunction with the Independent Auditor’s Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

The mission statement of THDA is “Leading Tennessee Home by creating safe, sound, affordable housing opportunities.” THDA’s goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2021, THDA has originated over 131,000 single-family mortgage loans in its 48-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher (HCV) program in approximately 70 of Tennessee’s 95 counties, as well as the project-based Contract Administration program for approximately 376 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, “The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency. . .” (Section 13-23-105, *Tennessee Code Annotated*). This board meets regularly on a bimonthly basis; however, some committees may meet more often as situations dictate.

Overview of the Financial Statements

The basic financial statements include statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows, as well as notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA’s cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Annual Comprehensive Financial Report*. This report may be viewed at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Financial Highlights

Year Ended June 30, 2021

- Total assets increased by \$77.2 million, or 2.2%.
- Total liabilities increased by \$64.3 million, or 2.1%.
- Net position was \$548.7 million. This is an increase of \$13.3 million, or 2.5%, from fiscal year 2020 net position (as adjusted).
- Cash and cash equivalents increased by \$159 million, or 61.1%.
- Total investments decreased by \$21.6 million, or 9%.
- Bonds payable increased by \$28.6 million, or 1%.
- THDA originated \$389.6 million in new loans, which is a decrease of \$285.9 million, or 42.3%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2021	2020
Current assets	\$ 603,820	\$ 436,492
Capital assets	5,171	5,181
Other noncurrent assets	3,013,397	3,103,541
Total assets	3,622,388	3,545,214
Deferred outflows of resources	4,103	4,513
Current liabilities	205,667	186,312
Noncurrent liabilities	2,870,046	2,825,109
Total liabilities	3,075,713	3,011,421
Deferred inflows of resources	2,107	2,939
Investment in capital assets	5,171	5,181
Restricted net position	494,520	491,638
Unrestricted net position	48,980	38,548
Total net position	\$ 548,671	\$ 535,367

2021 to 2020

First and second mortgage loans receivable (net of allowance for forgivable second mortgages) decreased by \$73.8 million. During fiscal year 2021, single-family mortgage loan originations decreased by \$285.9 million, whereas mortgage loan payoffs increased by \$164.1 million and mortgage loan repayments increased \$3 million. In addition, THDA recognized an allowance for future uncollectable forgivable second mortgages of \$32.9 million for fiscal year 2021.

Total liabilities increased \$64.3 million. The increase is primarily due to a \$28.6 million increase of bonds payable at June 30, 2021, as compared to June 30, 2020, and a \$17.2 million increase in unearned revenue primarily from funds received in advance of expenses for the Homeowner Assistance Fund (HAF). This program was a new program in fiscal year 2021.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2021	2020
Operating revenues		
Mortgage interest income	\$ 121,440	\$ 119,643
Investment income	276	7,363
Other	42,707	27,495
Total operating revenues	164,423	154,501
Operating expenses		
Interest expense	80,015	81,688
Other	61,288	54,825
Total operating expenses	141,303	136,513
Operating income	23,120	17,988
Nonoperating revenues (expenses)		
Grant revenues	382,218	335,395
Payments from primary govt	277	311
Grant expenses	(392,311)	(344,407)
Total nonoperating revenues (expenses)	(9,816)	(8,701)
Change in net position	\$ 13,304	\$ 9,287

2021 to 2020

Total operating revenues increased \$9.9 million, primarily due to an increase in other income of \$15.2 million. Other income increased primarily due to an increase in federal grant administration fees.

Total operating expenses increased \$4.8 million. This is primarily due to an increase in contractual services. Contractual services increased primarily due to contractual activity related to the Emergency Rental Assistance (ERA) 1 Program. This program was a new program in fiscal year 2021.

Nonoperating grant revenues increased \$46.8 million and nonoperating grant expenses increased \$47.9 million, primarily due to an increase in spending of federal grant programs. The increase in spending of federal grant programs is due to THDA being awarded new sources of funding from the federal government that are related to COVID-19 pandemic relief.

Debt Activity

Bonds outstanding as of June 30, 2021, were \$2,909,404 (expressed in thousands) which is a \$28.6 million increase from bonds outstanding of \$2,880,811 (expressed in thousands) as of June 30, 2020. The increase in bonds payable is smaller than in recent fiscal years, primarily due to a decrease in mortgage production, which therefore lead to fewer bonds issued during fiscal year 2021. In addition, prepayments on bonds remained at a high level. During the fiscal year, THDA issued debt totaling \$440 million, with activity arising from three bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA did not refund outstanding bonds into new bond originations with lower interest rates.

Bond Ratings

For bonds issued under the Homeownership Program Bonds, Moody's Investor Service, Inc. (Moody's) has assigned THDA's bonds a rating of Aa1, and Standard and Poor's Global Ratings (S&P), a division of The McGraw-Hill Companies, Inc., has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

Debt Limits

In accordance with Section 13-23-121, *Tennessee Code Annotated*, THDA operates under a "debt ceiling" of \$4,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2021	2020	2019 and Prior	Total
Funding Sources:				
THDA	\$7,400,000	\$10,500,000	\$90,800,000	\$108,700,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	\$7,400,000	\$10,500,000	\$95,150,000	\$113,050,000
Approved Uses:				
Rural repair program (USDA)	\$ -	\$ -	\$ 6,300,000	\$ 6,300,000
Ramp Programs & Hsg Modification	-	-	2,250,000	2,250,000
Emergency Repairs	2,700,000	2,700,000	26,600,000	32,000,000
Competitive Grants	3,500,000	3,100,000	48,100,000	54,700,000
Rebuild & Recover	500,000	500,000	4,800,000	5,800,000
Challenge Grant Program	-	500,000	1,000,000	1,500,000
Creating Homes Initiative – 2 Program	-	2,500,000	-	2,500,000
COVID-19 Supplemental	-	500,000	-	500,000
Other Grants	700,000	700,000	6,100,000	7,500,000
Totals	\$7,400,000	\$10,500,000	\$95,150,000	\$113,050,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed rate mortgage product while still offering down payment assistance with the addition of the Great Choice Plus loan program, which is a second mortgage at a 0% interest rate for a term of 10 years. During fiscal year 2015, the Great Choice Plus loan product was modified to a forgivable second mortgage, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced within the first nine years of closing. Beginning in year 10, the loan is forgiven at the rate of 20% per year. The loan is fully forgiven at the end of year 15. Subsequently, in October of 2016, the Great Choice Loan product was revised to feature a 30-year forgiveness requirement, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced or otherwise paid in full within the first 30 years of closing.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as “Homeownership for the Brave,” provides a 0.5% rate reduction on the current interest rate for Great Choice loans. In addition to the rate reduction, Homeownership for the Brave applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan at a 0% interest rate.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages, interest-only mortgages,

“buy-down” loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase “sub-prime” mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development);
- VA (Veterans Administration Guaranty Program);
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration); and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed listing of these mortgage loan products and primary mortgage loan terms may be obtained from THDA’s Internet site at <https://thda.org/homebuyers>.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave), insurer/guarantor (FHA, VA, RECD, private mortgage insurer), mortgage loan servicer, down-payment assistance, and other factors as deemed necessary.

As of June 30, 2021, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage ¹
60 – 89 Days Past Due	26,935	398	\$ 39,532,955	1.48%
90+ Days Past Due	26,935	2,468	286,613,392	9.16%
In Foreclosure	26,935	54	5,254,440	0.20%

¹ Percentage is calculated by dividing the “Number of Loans in Status” by the “Total Number of Loans Serviced.”

Economic Factors

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Trent Ridley, Chief Financial Officer, at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2021
(Expressed in Thousands)

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 355,161
Investments (Note 2)	78,425
Receivables:	
Accounts	19,576
Interest	19,795
Loans held for resale	1,780
First mortgage loans	81,813
Due from federal government	47,264
Due from other state funds	6
	<u>603,820</u>
Total current assets	
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (Note 2)	64,239
Investments (Note 2)	121,397
Investment interest receivable	322
Investments (Note 2)	17,607
First mortgage loans receivable	2,731,986
Second mortgage loans receivable	82,477
Allowance for uncollectable second mortgages	(32,861)
Other receivables (Note 1)	24,593
Unearned service release premium	263
Advance to local government	3,144
Net pension asset (Note 5)	230
Capital assets:	
Furniture and equipment	10,706
Less accumulated depreciation	(5,535)
	<u>3,018,568</u>
Total noncurrent assets	
Total assets	<u>3,622,388</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refundings	72
Deferred outflows related to pensions (Note 5)	2,749
Deferred outflows related to OPEB (Note 9)	237
Deferred outflows related to defeased bonds (Note 3)	1,045
	<u>4,103</u>
Total deferred outflows of resources	

LIABILITIES

Current liabilities:	
Accounts payable	29,702
Accrued payroll and related liabilities	855
Compensated absences (Note 3)	861
Due to primary government	92
Interest payable	43,858
Escrow deposits (Note 3)	23,609
Prepayments on mortgage loans	1,395
Line of credit payable	1,778
Due to federal government	20,302
Bonds payable (Note 3)	83,215
	<u>205,667</u>
Total current liabilities	
Noncurrent liabilities:	
Bonds payable (Note 3)	2,826,189
Compensated absences (Note 3)	1,006
Net pension liability (Note 5)	7,122
Total OPEB liability (Note 9)	1,389
Escrow deposits (Note 3)	17,178
Unearned revenue (Note 3)	17,162
	<u>2,870,046</u>
Total noncurrent liabilities	
Total liabilities	<u>3,075,713</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (Note 5)	315
Deferred inflows related to OPEB (Note 9)	1,792
	<u>2,107</u>
Total deferred inflows of resources	

NET POSITION

Investment in capital assets	5,171
Restricted for single family bond programs (Note 4 and Note 7)	470,431
Restricted for grant programs (Note 4)	20,706
Restricted for Homebuyers Revolving Loan Program (Note 4)	3,153
Restricted for net pension asset (Note 5)	230
Unrestricted (Note 7)	48,980
	<u>548,671</u>
Total net position	<u>\$ 548,671</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

OPERATING REVENUES	
Mortgage interest income	\$ 121,440
Investment income:	
Interest	1,306
Net (decrease) in the fair value of investments	(1,030)
Federal grant administration fees	26,719
Fees and other income	15,988
Total operating revenues	<u>164,423</u>
OPERATING EXPENSES	
Salaries and benefits	24,172
Contractual services	15,959
Materials and supplies	1,195
Rentals and insurance	51
Other administrative expenses	244
Other program expenses	14,695
Interest expense	80,015
Issuance costs	3,348
Amortization: service release premium	14
Depreciation	1,610
Total operating expenses	<u>141,303</u>
Operating income	<u>23,120</u>
NONOPERATING REVENUES (EXPENSES)	
Federal grants revenue	382,215
Other grants revenue	3
Payment from primary government (Note 10)	277
Federal grants expenses	(382,131)
Local grants expenses	(10,180)
Total nonoperating revenues (expenses)	<u>(9,816)</u>
Change in net position	<u>13,304</u>
Total net position, July 1	535,367
Total net position, June 30	<u>\$ 548,671</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 594,223
Receipts from federal government	26,398
Other miscellaneous receipts	15,988
Acquisition of mortgage loans	(389,621)
Payments to suppliers	(23,996)
Payments to federal government	(46)
Payments to or for employees	<u>(23,969)</u>
Net cash provided by operating activities	<u>198,977</u>
Cash flows from non-capital financing activities:	
Operating grants received	381,050
Payment from primary government	277
Proceeds from sale of bonds	451,525
Operating grants paid	(386,649)
Cost of issuance paid	(3,348)
Principal payments	(410,385)
Interest paid	<u>(92,784)</u>
Net cash used for non-capital financing activities	<u>(60,314)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(1,600)</u>
Net cash used for capital and related financing activities	<u>(1,600)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	382,444
Purchases of investments	(361,879)
Investment interest received	1,341
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	<u>19</u>
Net cash provided by investing activities	<u>21,925</u>
Net increase in cash and cash equivalents	158,988
Cash and cash equivalents, July 1	<u>260,412</u>
Cash and cash equivalents, June 30	<u>\$ 419,400</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

Reconciliation of operating income to	
net cash provided by operating activities:	
Operating income	\$ <u>23,120</u>
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	1,610
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,076)
(Increase) in mortgage interest receivable	(4,309)
(Increase) in other receivables	(172)
(Increase) in unearned service release premium	(250)
Decrease in pension asset	31
Decrease in deferred pension outflows	234
(Increase) in deferred OPEB outflows	(4)
Decrease in loans held for resale	134
Decrease in mortgage loans receivable	73,829
(Increase) in due from federal government	(321)
Increase in accounts payable	7,089
Increase in accrued payroll / compensated absences	222
Increase in due to primary government	13
Increase in unearned revenue	17,162
(Decrease) in line of credit payable	(137)
(Decrease) in arbitrage rebate liability	(23)
Increase in pension liability	834
(Decrease) in OPEB liability	(264)
(Decrease) in deferred pension inflows	(782)
(Decrease) in deferred OPEB inflows	(50)
Investment income included as operating revenue	(276)
Interest expense included as operating expense	80,015
Issuance cost included as operating expense	<u>3,348</u>
Total adjustments	<u>175,857</u>
Net cash provided by operating activities	\$ <u><u>198,977</u></u>
Noncash investing, capital, and financing activities:	
(Decrease) in fair value of investments	\$ <u>(1,121)</u>
Total noncash investing, capital, and financing activities	\$ <u><u>(1,121)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, *Code of Federal Regulations*, Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Annual Comprehensive Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds

Notes to the Financial Statements (Continued)

and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of \$5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

<u>Description</u>	<u>Estimated Life</u>
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds; Bond Reserve Funds; the Tax and Insurance Holding/Escrow account; Funds on deposit for, or on behalf of, borrower's related to Loan Servicing; Hardest Hit Fund cash; and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Notes to the Financial Statements (Continued)

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Other Receivables

Amounts reported as Other Receivables are for amounts related to acquiring servicing rights from THDA's partners. Beginning in FY 2018, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans, and in association with typical industry practices, THDA paid one percent (1%) of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In FY 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers, which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Other Receivables, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S. federal government, public housing bonds secured by contracts with the U.S. federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Notes to the Financial Statements (Continued)

Mortgages

Mortgages are carried at their original amount less collected principal.

Secondary Market Mortgage Program

During FY 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a “seller/servicer.” To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency’s primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within ten years of the origination date. Beginning on the eleventh anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course of time, or not recovered due to foreclosure, an allowance account has been established for those

Notes to the Financial Statements (Continued)

loans that may enter the forgivable period or for loss due to foreclosure. During the fiscal year 2020, the agency determined that an amount of second mortgage down payment assistance loans are not expected to be recovered due to forgiveness or foreclosure. This amount was recorded as an allowance.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Notes to the Financial Statements (Continued)

At June 30, 2021, the bank balance was \$64,256,373.40. This amount includes \$28,010,068.09; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans, and \$172,940.33; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Freddie Mac serviced loans. All bank balances at June 30, 2021, were insured, except the Bank of New York Mellon (BNYM) accounts. U.S. Department of the Treasury requires the funds for the Hardest Hit Fund program to be deposited in the BNYM accounts. THDA has no obligation to ensure that the funds in the accounts are collateralized should the amount of money in the account be in excess of the FDIC insurance coverage of \$250,000. THDA will not be responsible for a loss of the funds due to the bank's failure and the lack of adequate collateral. Of the bank balance at June 30, 2021, \$19,333,616.89 was in the BNYM. Of this amount, \$19,083,616.89 exceeded the FDIC insurance coverage. The agency has deposits in the State Pooled Investment Fund administered by the State Treasurer. The fund's investments are measured at amortized cost. The fund is not rated by a nationally recognized statistical rating organization. The fund's investment policy and required risk disclosures are presented in the State of Tennessee Treasurer's Report. That report is available on the state's website at <https://treasury.tn.gov>.

Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within five years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Notes to the Financial Statements (Continued)

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

June 30, 2021		
Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$136,216,148	0.691
U.S. Treasury Coupon	6,221,405	1.985
U.S. Agency Discount	289,986,379	0.098
Total	\$432,423,932	0.313

Fair Value Measurements – THDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2021, (expressed in thousands):

June 30, 2021				
Assets by Fair Value Level	Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	\$136,216	\$ -	\$136,216	\$ -
U.S. Treasury Coupon	6,221	6,221	-	-
U.S. Agency Discount	289,986	-	289,986	-
Total debt securities	\$432,423	\$ 6,221	\$426,202	\$ -

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30, 2021, are included in the schedules below. Securities are rated using Standard and Poor's and/or Moody's and are presented below using the Standard and Poor's rating scale.

Notes to the Financial Statements (Continued)

June 30, 2021					
Investment Type	Fair Value	U.S. Treasury ¹	AAA	AA+	Not Rated ²
U.S. Agency Coupon	\$136,216,148	\$ -	\$ -	\$ 136,216,148	\$ -
U.S. Treasury Coupon	6,221,405	6,221,405	-	-	-
U.S. Agency Discount	289,986,379	-	-	-	289,986,379
Total	\$432,423,932	\$6,221,405	\$ -	\$ 136,216,148	\$289,986,379

In addition to these investments, the agency has \$108,939,646 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

More than 5% of the agency's investments are invested in the following single issuers:

June 30, 2021		
<u>Issuer</u>	<u>Fair Value</u> <i>(Thousands)</i>	<u>% of Portfolio</u>
Federal Home Loan Bank	\$346,372	80.10
Federal Home Loan Mortgage Corp.	\$38,448	8.89
Federal National Mortgage Admin	\$41,383	9.57

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

¹ This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

² This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor's or Moody's.

Notes to the Financial Statements (Continued)

Note 3. Liabilities

Bonds Issued and Outstanding

Homeownership Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2021 (Thousands)
2012-1	1/1/2013 – 7/1/2042	133,110	0.80 to 4.50	31,470
2012-2	7/1/2013 – 7/1/2043	97,625	0.50 to 4.00	28,330
Total Homeownership Program Bonds		\$230,735		\$ 59,800
Plus: Unamortized Bond Premiums				212
Net Homeownership Program Bonds				<u>\$ 60,012</u>

Housing Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2021 (Thousands)
2011-A	7/1/2011 – 7/1/2041	100,000	0.45 to 4.50	-
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	61,945
Total Housing Finance Program Bonds		\$250,000		\$61,945
Plus: Unamortized Bond Premiums				1,198
Net Housing Finance Program Bonds				<u>\$63,143</u>

Residential Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2021 (Thousands)
2013-1	1/1/2014 – 7/1/2043	\$ 215,905	0.40 to 4.00	\$ 47,220
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	36,945
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	50,615
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	63,250
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	68,835
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	84,330
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	73,045
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	72,890
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	20,775
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	54,325
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	111,005
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	76,490
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	76,135
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	74,895
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	127,730
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	124,210
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	181,740
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	154,375
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	181,100
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	141,050
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	185,020
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	192,200
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	88,085

Notes to the Financial Statements (Continued)

2020-3	1/1/2021 – 7/1/2050	145,000	0.80 – 3.50	142,665
2020-4	7/1/2021 – 1/1/2051	145,000	1.50 – 3.00	145,000
2021-1	1/1/2022 – 7/1/2051	149,990	0.20 – 3.00	149,990

Total Residential Finance Program Bonds	\$3,857,205	\$2,723,900
Plus: Unamortized Bond Premiums		62,716
Subtract: Unamortized Bond Discount		(367)
Net Residential Finance Program Bonds		<u>\$2,786,249</u>
 Net Total All Bonds		<u><u>\$2,909,404</u></u>

Housing Finance Program Bonds – The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

The first release and conversion from 2009-B was on June 17, 2010, in the amount of \$85,290,000. The \$85,290,000 was blended with the market rate 2010-A bonds in the amount of \$74,710,000 for a total of \$160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2010-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-A bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of \$34,710,000. The \$34,710,000 was blended with the market rate 2011-C bonds in the amount of \$65,290,000 for a total of \$100,000,000.

Debt Service Requirements

Debt service requirements to maturity at June 30, 2021, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2022	\$ 13,585	\$ 88,750	\$ 102,335
2023	99,235	89,052	188,287

Notes to the Financial Statements (Continued)

2024	101,550	86,936	188,486
2025	103,720	84,617	188,337
2026	106,475	82,111	188,586
2027 – 2031	539,775	367,106	906,881
2032 – 2036	520,115	285,847	805,962
2037 – 2041	549,550	197,089	746,639
2042 – 2046	484,850	105,383	590,233
2047 – 2051	323,370	25,234	348,604
2052	3,420	51	3,471
Total	\$2,845,645	\$1,412,176	\$4,257,821

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,845,645 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of \$2,845,645 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2021 is \$73,221,799.

Redemption of Bonds and Notes

During the year ended June 30, 2021, bonds were retired at par before maturity in the Homeownership Program in the amount of \$14,675,000 in the Housing Finance Program in the amount of \$13,070,000 and in the Residential Finance Program in the amount of \$365,065,000. The respective carrying values of the bonds were \$15,106,459, \$13,426,876 and \$374,364,466. This resulted in revenue to the Homeownership Program of \$431,459, to the Housing Finance Program of \$356,876, and to the Residential Finance Program of \$9,299,466.

On July 16, 2020 the agency issued \$145,000,000 in Residential Finance Program Bonds, Issue 2020-3.

On October 28, 2020 the agency issued \$145,000,000 in Residential Finance Program Bonds, Issue 2020-4.

On April 28, 2021, the agency issued \$149,900,000 in Residential Finance Program Bonds, Issue 2021-1.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2021 (expressed in thousands).

Notes to the Financial Statements (Continued)

Long Term Liability	Beginning Balance July 1, 2020	Additions	Reductions	Ending Balance June 30, 2021	Amounts Due Within One Year³
Bonds Payable	\$2,816,040	\$439,990	(\$410,385)	\$2,845,645	\$83,215
Plus: Unamortized Bond Premiums	64,799	11,882	(12,555)	64,126	-
Less: Unamortized Bond Discounts	(28)	(347)	8	(367)	-
Compensated Absences	1,685	1,376	(1,194)	1,867	861
Escrow Deposits	36,894	131,884	(127,991)	40,787	23,609
Unearned Revenue	896	18,841	(2,575)	17,162	-
Arbitrage Rebate Payable	23	-	(23)	-	-
Total	\$2,920,309	\$603,626	(\$554,715)	\$2,969,220	\$107,685

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and

³Amounts due within one year include management authorized bond refundings at June 30.

Notes to the Financial Statements (Continued)

retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2021, to the

Notes to the Financial Statements (Continued)

Closed State and Higher Education Employee Pension Plan were \$1,790,683, which is 20.23 percent of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2021, THDA reported a liability of \$7,122,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. THDA’s proportion of the net pension liability was based on a projection of THDA’s contributions during the year ended June 30, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, THDA’s proportion was 0.434725 percent. The proportion measured as of June 30, 2019, was 0.445278 percent.

Pension expense – For the year ended June 30, 2021, THDA recognized a pension expense of \$2,153,786. Allocated pension expense was \$2,117,302 before being increased by \$36,484 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2021, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205	\$ 65
Net difference between projected and actual earnings on pension plan investments	443	-
Change in proportionate share of net asset or liability	98	102
Changes in assumptions	-	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2020	1,791	-
Total	\$2,537	\$167

Deferred outflows of resources, resulting from THDA’s employer contributions of \$1,791 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: (expressed in thousands):

Notes to the Financial Statements (Continued)

Year Ended June 30:	
2022	(165)
2023	162
2024	278
2025	304
2026	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019, with static projection to 6 years beyond the valuation date.

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%.

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Notes to the Financial Statements (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what THDA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$15,786,054	\$7,122,149	\$(184,508)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.tn.gov/tcrs>.

Payable to the Pension Plan

At June 30, 2021, THDA reported a payable of \$160,477 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2021.

Notes to the Financial Statements (Continued)

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – *Tennessee Code Annotated* Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation by 1.0 percent multiplied by member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Notes to the Financial Statements (Continued)

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2021, to the State and Higher Education Employee Retirement Plan were \$152,928, which is 1.80 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2021, THDA reported an asset of \$229,949 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA’s proportion of the net pension asset was based on a projection of THDA’s contributions during the year ended June 30, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, THDA’s proportion was 0.653018 percent. The proportion measured as of June 30, 2019, was 0.628303 percent.

Pension expense – For the year ended June 30, 2021, THDA recognized a pension expense of \$106,806. Allocated pension expense was \$124,780 before being decreased by \$17,974 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2021, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	16	\$7
Net difference between projected and actual earnings on pension plan investments	24	-
Changes in proportion of share of net asset or liability	13	141
Changes in assumptions	6	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2020	153	-
Total	\$212	\$148

Notes to the Financial Statements (Continued)

Deferred outflows of resources, resulting from THDA's employer contributions of \$152,928 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2022	(13)
2023	(10)
2024	(9)
2025	(7)
2026	(16)
Thereafter	(34)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019 (generational projection).

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%

Notes to the Financial Statements (Continued)

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for reach major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents THDA’s proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what THDA’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$221,677	\$(229,949)	\$(570,924)

Payable to the Pension Plan

At June 30, 2021, THDA reported a payable of \$14,885 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Notes to the Financial Statements (Continued)

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2021, for both defined benefit pension plans was \$2,260,592.

Note 6. Deferred Compensation Plans

The Tennessee Housing Development Agency, through the State of Tennessee, offers employees two deferred compensation plans, one established pursuant to Internal Revenue Code, Section 457, and the other pursuant to *Internal Revenue Code* (IRC), Section 401(k). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 457 plan is voluntary for employees. The Tennessee Housing Development Agency provides up to a \$50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

The Tennessee Housing Development Agency recognized a pension expense of \$559,984 for employer contributions.

The Tennessee Housing Development recognized a pension payable of \$25,924 for employer contributions.

Note 7. Provisions for Mortgage Loan Losses

Most mortgage loans are insured by the Federal Housing Administration, an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of \$750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community Development Loan Guarantee Program. An additional \$232,000 was established as a loan loss

Notes to the Financial Statements (Continued)

reserve against potential losses on loans not specifically covered by one of the above programs, and \$500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

Note 8. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first \$25,000 to \$75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 million annual aggregate deductible. For earthquake, named storm, wind/hail, and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage was \$500 million for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in the New Madrid Zone. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2021, is presented in the *Annual Comprehensive*

Notes to the Financial Statements (Continued)

Financial Report and ACFR. The ACFR is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2021, the Risk Management Fund held \$231 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 9. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 201, *Tennessee Code Annotated*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who

Notes to the Financial Statements (Continued)

have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred provider organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent

Contributions - Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Part 201, *Tennessee Code Annotated*, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent, or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2021 was \$137.1 million. The Tennessee Housing Development Agency share of the ADC was \$362 thousand. During the fiscal year the Tennessee Housing Development Agency contributed \$139 thousand to the OPEB Trust. The state general assembly has the authority to change the contribution requirements for the employers participating in the EGOP. The primary government made payments on behalf of Tennessee Housing Development Agency in the amount of \$268 thousand.

Net OPEB Liability

Proportionate share - The Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability, related to the EGOP, was \$1.4 million. At the June 30, 2020, measurement date, the Tennessee Housing Development Agency's proportion of the collective net OPEB liability was 0.165964%. The proportion existing at the prior measurement date was 0.173646%. This resulted in a change in proportion of (0.007681%) between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020, and measurement date of June 30, 2020.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	9.02% for 2021, decreasing annually to an ultimate rate of 4.5% for 2031 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Participant Mortality Table projected generationally with MP-2016 from the central year of pre-retirement. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Long-term Expected Rate of Return- The long-term expected rate of return of 6 percent on the OPEB Trust investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Title 8, Chapter 27, Part 802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Allocation Range

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target Allocation</u>
Equities	25%	80%	53%

Notes to the Financial Statements (Continued)

Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	<u>5%</u>
			<u>100%</u>

The best estimates of geometric real rates of return for reach major asset class included in the OPEB Trust target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.11%
Developed market international equity	5.19%
Emerging market international equity	5.29%
Private equity and strategic lending	4.11%
U.S. fixed income	0.00%
Real estate	3.72%
Cash (government)	(0.69%)

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. This is the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The excise tax was removed from the liability calculation, as of the measurement date, due to a change in federal law concerning health benefits provided to employees. Other minor changes include a change in the long term inflation rate, adjustments to the medical and drug trend rate to reflect more recent experience and a change in the expected per capita health claims. These changes combined to decrease the total OPEB liability.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency’s proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-

Notes to the Financial Statements (Continued)

percentage-point lower (5%) or 1-percentage-point (7%) than the current discount rate (expressed in thousands).

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the collective net OPEB liability	\$ 1,540	\$ 1,389	\$ 1,249

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (8.02% decreasing to 3.5%) or 1-percentage-point higher (10.02% decreasing to 5.5%) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease (8.02% decreasing to 3.5%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.5%)	1% Increase (10.02% decreasing to 5.5%)
Proportionate share of the collective net OPEB liability	\$ 1,189	\$ 1,389	\$ 1,621

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

OPEB Expense – For the fiscal year ended June 30, 2021, the Tennessee Housing Development Agency recognized negative OPEB expense of \$178 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2021, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 136
Changes of assumptions	71	366
Net difference between actual and projected investment earnings	27	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	1,290
Contributions subsequent to the measurement date	139	
Total	\$ 237	\$ 1,792

Notes to the Financial Statements (Continued)

The amounts shown above for “contributions subsequent to the measurement date” will be recognized as a reduction to the collective total OPEB liability in the following measurement period.

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

For the year ended June 30:

2022	\$ (335)
2023	(335)
2024	(335)
2025	(335)
2026	(321)
Thereafter	(334)

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government) as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University, and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Title 8, Chapter 27, Parts 201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium

Notes to the Financial Statements (Continued)

rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid \$8,663 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute toward employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the Closed TN OPEB Plan liability associated with the Tennessee Housing Development Agency’s employees. The primary government’s proportion and proportionate share of the total OPEB liability associated with the Tennessee Housing Development Agency was \$436 thousand. At the June 30, 2020, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.2114%. This represents a change of 0.0141% from the prior proportion of 0.1973%. The proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020, and a measurement date of June 30, 2020.

Actuarial assumptions – The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.10%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%

Notes to the Financial Statements (Continued)

Healthcare cost trend rates The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Participant Mortality Table projected generationally with MP-2016 from the central year for pre-retirement. Post-retirement tables are Blue Collar and adjusted with a 2 percent load for males and a -3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

Discount rate – The discount rate used to measure the total OPEB liability was 2.21 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond GO Bond Municipal Index.

Changes in assumptions – The discount rate was changed from 3.51% as of the beginning of the measurement period to 2.21% as of June 30, 2020. This change in assumption decreased the total OPEB liability.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government’s proportionate share of the Tennessee Housing Development Agency’s related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Primary government’s share of the collective total OPEB liability	\$ 508	\$ 436	\$ 377

Notes to the Financial Statements (Continued)

OPEB expense – For the fiscal year ended June 30, 2021, the primary government recognized OPEB expense of \$28 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2021 was \$150 thousand, which consisted of negative OPEB expense of \$178 thousand for the EGOP and \$28 thousand paid by the primary government for the TNP.

Note 10. On-Behalf Payments

During the year ended June 30, 2021, the State of Tennessee made payments of \$8,663 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of \$267,850 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Annual Comprehensive Financial Report*.

Note 11. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, \$15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the agency to the State General Fund. The \$43,000,000 transferred from the agency came from the following resources of the agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of \$35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Note 12. Subsequent Events

Residential Finance Program Bonds, Issue 2021-2, were sold on September 30, 2021. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (Percent)
2021-2	7/1/2022 – 1/1/2052	\$99,990,000	0.125 – 3.000

Residential Finance Program Bonds, Issue 2021-3, were authorized by the board of directors on September 28, 2021, not to exceed \$175,000,000. The sale of the bonds will occur no later than December 31, 2021.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Liability	THDA's Proportionate Share of the Net Pension Liability	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.434725	\$7,122	\$9,623	74.01%	90.58%
2020	0.445278%	6,288	10,040	62.63%	91.67%
2019	0.433148	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%
2015	0.429581%	2,964	11,601	25.55%	95.11%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportionate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.653018%	\$230	\$7,475	3.08%	112.90%
2020	0.628303%	261	5,893	4.42%	122.36%
2019	0.198493%	77	4,410	1.74%	132.39%
2018	0.170803%	35	3,068	1.15%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.457171%	13	498	2.60%	142.55%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2021	\$1,791	\$1,791	\$-	\$ 8,852	20.23%
2020	1,892	1,892	-	9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%
2015	1,652	1,652	-	10,994	15.03%
2014	1,744	1,744	-	11,601	15.03%
2013	1,693	1,693	-	11,264	15.03%
2012	1,632	1,632	-	10,946	14.91%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4%.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contributions
State and Higher Education Employee Retirement Plan With TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2021	\$153	\$153	\$-	\$8,496	1.80%
2020	129	129	-	7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.81%
2015	19	19	-	498	3.82%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4%.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total/net OPEB liability	Employer proportionate share of the collective total/net OPEB liability	Covered- employee payroll	Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	OPEB plan fiduciary net position as a percentage of the total OPEB liability
2021	0.165964%	\$1,389	\$9,903	14.03%	25.20%
2020	0.173646%	1,653	8,999	18.37%	18.00%
2019	0.241928%	3,351	9,720	34.47%	-
2018	0.266480%	3,578	10,046	35.62%	-

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6 percent to 6.0 percent. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total OPEB liability	Primary government proportionate share of the collective total OPEB liability related to THDA	Collective total OPEB liability	Covered-employee payroll
2021	0.00%	\$436	\$436	\$10,020
2020	0.00%	345	345	10,457
2019	0.00%	311	311	9,529
2018	0.00%	339	339	10,005

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Change of assumptions: In 2021, the discount rate changed from 3.51% to 2.21%.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2021	\$362	\$139	\$222	\$9,229	1.51%
2020	415	142	273	9,903	1.43%
2019	373	209	164	8,999	2.32%

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

This schedule is intended to display 10 years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2021
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 48,022	\$ 24,743	\$ 6,317	\$ 3,744	\$ 272,335	\$ 355,161
Investments	-	7,354	-	-	71,071	78,425
Receivables:						
Accounts	11,560	499	616	113	6,788	19,576
Interest	3	1	657	656	18,478	19,795
Loans held for resale	1,780	-	-	-	-	1,780
First mortgage loans	-	2,403	5,414	2,350	71,646	81,813
Due from federal government	47,264	-	-	-	-	47,264
Due from other state funds	6	-	-	-	-	6
Due from other funds	-	-	68	-	52,800	52,868
Total current assets	108,635	35,000	13,072	6,863	493,118	656,688
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	47,444	-	923	1,506	14,366	64,239
Investments	-	-	14,063	5,103	102,231	121,397
Investment Interest receivable	-	-	130	7	185	322
Investments	-	2,774	-	-	14,833	17,607
First mortgage loans receivable	679	46,759	74,954	62,697	2,546,897	2,731,986
Second mortgage loans receivable	-	-	82,477	-	-	82,477
Allowance for uncollectable second mortgages	-	-	(32,861)	-	-	(32,861)
Other receivables	9,834	-	-	-	14,759	24,593
Unearned service release premium	263	-	-	-	-	263
Advance to local government	3,144	-	-	-	-	3,144
Net pension asset	230	-	-	-	-	230
Capital assets:						
Furniture and equipment	10,706	-	-	-	-	10,706
Less accumulated depreciation	(5,535)	-	-	-	-	(5,535)
Total noncurrent assets	66,765	49,533	139,686	69,313	2,693,271	3,018,568
Total assets	175,400	84,533	152,758	76,176	3,186,389	3,675,256
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	-	-	72	72
Deferred outflows related to pensions	2,749	-	-	-	-	2,749
Deferred outflows related to OPEB	237	-	-	-	-	237
Deferred outflows related to defeased bonds	-	-	-	-	1,045	1,045
Total deferred outflows of resources	2,986	-	-	-	1,117	4,103
LIABILITIES						
Current liabilities:						
Accounts payable	29,565	11	-	3	123	29,702
Accrued payroll and related liabilities	855	-	-	-	-	855
Compensated absences	861	-	-	-	-	861
Due to primary government	92	-	-	-	-	92
Interest payable	1	-	1,065	1,050	41,742	43,858
Escrow deposits	23,609	-	-	-	-	23,609
Prepayments on mortgage loans	1	-	55	37	1,302	1,395
Line of credit payable	1,778	-	-	-	-	1,778
Due to federal government	20,302	-	-	-	-	20,302
Due to other funds	47,294	5,574	-	-	-	52,868
Bonds payable	-	-	2,170	2,135	78,910	83,215
Total current liabilities	124,358	5,585	3,290	3,225	122,077	258,535
Noncurrent liabilities:						
Bonds payable	-	-	57,842	61,008	2,707,339	2,826,189
Compensated absences	1,006	-	-	-	-	1,006
Net pension liability	7,122	-	-	-	-	7,122
Total OPEB liability	1,389	-	-	-	-	1,389
Escrow deposits	16,688	233	-	-	257	17,178
Unearned revenue	17,162	-	-	-	-	17,162
Total noncurrent liabilities	43,367	233	57,842	61,008	2,707,596	2,870,046
Total liabilities	167,725	5,818	61,132	64,233	2,829,673	3,128,581
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	315	-	-	-	-	315
Deferred inflows related to OPEB	1,792	-	-	-	-	1,792
Total deferred inflows of resources	2,107	-	-	-	-	2,107
NET POSITION						
Investment in capital assets	5,171	-	-	-	-	5,171
Restricted for single family bond programs	-	9,029	91,626	11,943	357,833	470,431
Restricted for grant programs	-	20,706	-	-	-	20,706
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Restricted for net pension asset	230	-	-	-	-	230
Unrestricted	-	48,980	-	-	-	48,980
Total net position	\$ 8,554	\$ 78,715	\$ 91,626	\$ 11,943	\$ 357,833	\$ 548,671

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	\$ 49	\$ 81	\$ 4,423	\$ 3,383	\$ 113,504	\$ 121,440
Investment income:						
Interest	122	25	375	39	745	1,306
Net (decrease) in the fair value of investments	-	(15)	(352)	(6)	(657)	(1,030)
Federal grant administration fees	26,719	-	-	-	-	26,719
Fees and other income	15,988	-	-	-	-	15,988
Total operating revenues	<u>42,878</u>	<u>91</u>	<u>4,446</u>	<u>3,416</u>	<u>113,592</u>	<u>164,423</u>
OPERATING EXPENSES						
Salaries and benefits	24,172	-	-	-	-	24,172
Contractual services	15,958	-	-	-	1	15,959
Materials and supplies	1,195	-	-	-	-	1,195
Rentals and insurance	51	-	-	-	-	51
Other administrative expenses	244	-	-	-	-	244
Other program expenses	8,723	260	4,388	79	1,245	14,695
Interest expense	17	-	1,936	1,877	76,185	80,015
Issuance costs	-	-	-	-	3,348	3,348
Amortization: service release premium	14	-	-	-	-	14
Depreciation	1,610	-	-	-	-	1,610
Total operating expenses	<u>51,984</u>	<u>260</u>	<u>6,324</u>	<u>1,956</u>	<u>80,779</u>	<u>141,303</u>
Operating income (loss)	<u>(9,106)</u>	<u>(169)</u>	<u>(1,878)</u>	<u>1,460</u>	<u>32,813</u>	<u>23,120</u>
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	382,215	-	-	-	-	382,215
Other grant revenue	3	-	-	-	-	3
Payment from primary government	277	-	-	-	-	277
Federal grants expenses	(382,131)	-	-	-	-	(382,131)
Local grants expenses	(10,180)	-	-	-	-	(10,180)
Total nonoperating revenues (expenses)	<u>(9,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,816)</u>
Income (loss) before transfers	<u>(18,922)</u>	<u>(169)</u>	<u>(1,878)</u>	<u>1,460</u>	<u>32,813</u>	<u>13,304</u>
Transfers (to) other funds	-	-	(5,262)	(437)	(30,492)	(36,191)
Transfers from other funds	18,545	17,646	-	-	-	36,191
Change in net position	<u>(377)</u>	<u>17,477</u>	<u>(7,140)</u>	<u>1,023</u>	<u>2,321</u>	<u>13,304</u>
Total net position, July 1	8,931	61,238	98,766	10,920	355,512	535,367
Total net position, June 30	<u>\$ 8,554</u>	<u>\$ 78,715</u>	<u>\$ 91,626</u>	<u>\$ 11,943</u>	<u>\$ 357,833</u>	<u>\$ 548,671</u>

**TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)**

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	\$ 16,965	\$ 3,774	\$ 29,993	\$ 16,900	\$ 526,591	\$ 594,223
Receipts from federal government	26,398	-	-	-	-	26,398
Receipts from other funds	14,365	5,574	-	-	-	19,939
Other miscellaneous receipts	15,988	-	-	-	-	15,988
Acquisition of mortgage loans	-	(3,719)	(15,510)	-	(370,392)	(389,621)
Payments to suppliers	(20,083)	(281)	(15)	(82)	(3,535)	(23,996)
Payments to federal government	-	-	(46)	-	-	(46)
Payments to other funds	-	-	-	-	(19,939)	(19,939)
Payments to or for employees	(23,969)	-	-	-	-	(23,969)
Net cash provided by operating activities	<u>29,664</u>	<u>5,348</u>	<u>14,422</u>	<u>16,818</u>	<u>132,725</u>	<u>198,977</u>
Cash flows from non-capital financing activities:						
Operating grants received	381,050	-	-	-	-	381,050
Payment from primary government	277	-	-	-	-	277
Transfers in (out)	18,545	17,646	(5,262)	(437)	(30,492)	-
Proceeds from sale of bonds	-	-	-	-	451,525	451,525
Operating grants paid	(386,649)	-	-	-	-	(386,649)
Cost of issuance paid	-	-	-	-	(3,348)	(3,348)
Principal payments	-	-	(15,175)	(19,670)	(375,540)	(410,385)
Interest paid	(16)	-	(2,668)	(2,650)	(87,450)	(92,784)
Net cash provided (used) by non-capital financing activities	<u>13,207</u>	<u>17,646</u>	<u>(23,105)</u>	<u>(22,757)</u>	<u>(45,305)</u>	<u>(60,314)</u>
Cash flows from capital and related financing activities:						
Purchases of capital assets	(1,600)	-	-	-	-	(1,600)
Net cash used for capital and related financing activities	<u>(1,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,600)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	17,813	15,129	13,546	389,877	436,365
Purchases of investments	-	(26,216)	(13,984)	(12,079)	(363,521)	(415,800)
Investment interest received	122	24	375	33	787	1,341
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	-	-	-	19	19
Net cash provided (used) by investing activities	<u>122</u>	<u>(8,379)</u>	<u>1,520</u>	<u>1,500</u>	<u>27,162</u>	<u>21,925</u>
Net increase (decrease) in cash and cash equivalents	41,393	14,615	(7,163)	(4,439)	114,582	158,988
Cash and cash equivalents, July 1	54,073	10,128	14,403	9,689	172,119	260,412
Cash and cash equivalents, June 30	<u>\$ 95,466</u>	<u>\$ 24,743</u>	<u>\$ 7,240</u>	<u>\$ 5,250</u>	<u>\$ 286,701</u>	<u>\$ 419,400</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2021
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (9,106)	\$ (169)	\$ (1,878)	\$ 1,460	\$ 32,813	\$ 23,120
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	1,610	-	-	-	-	1,610
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(3,270)	(499)	(16)	423	1,286	(2,076)
(Increase) decrease in mortgage interest receivable	(3)	-	26	120	(4,452)	(4,309)
(Increase) decrease in other receivables	2,121	-	-	-	(2,293)	(172)
(Increase) in unearned service release premium	(250)	-	-	-	-	(250)
Decrease in pension asset	31	-	-	-	-	31
Decrease in deferred pension outflows	234	-	-	-	-	234
(Increase) in deferred OPEB outflows	(4)	-	-	-	-	(4)
Decrease in loans held for resale	132	-	-	-	2	134
Decrease in mortgage loans receivable	1	474	14,398	12,977	45,979	73,829
(Increase) in due from federal government	(321)	-	-	-	-	(321)
Decrease in interfund receivables	14,365	5,574	-	-	-	19,939
(Decrease) in interfund payables	-	-	-	-	(19,939)	(19,939)
Increase (decrease) in accounts payable	7,231	(22)	2	(6)	(116)	7,089
Increase in accrued payroll / compensated absences	222	-	-	-	-	222
Increase in due to primary government	13	-	-	-	-	13
Increase in unearned revenue	17,162	-	-	-	-	17,162
(Decrease) in line of credit payable	(137)	-	-	-	-	(137)
(Decrease) in arbitrage rebate liability	-	-	(23)	-	-	(23)
Increase in pension liability	834	-	-	-	-	834
(Decrease) in OPEB liability	(264)	-	-	-	-	(264)
(Decrease) in deferred pension inflows	(782)	-	-	-	-	(782)
(Decrease) in deferred OPEB inflows	(50)	-	-	-	-	(50)
Investment income included as operating revenue	(122)	(10)	(23)	(33)	(88)	(276)
Interest expense included as operating expense	17	-	1,936	1,877	76,185	80,015
Issuance cost included as operating expense	-	-	-	-	3,348	3,348
Total adjustments	<u>38,770</u>	<u>5,517</u>	<u>16,300</u>	<u>15,358</u>	<u>99,912</u>	<u>175,857</u>
Net cash provided by operating activities	<u>\$ 29,664</u>	<u>\$ 5,348</u>	<u>\$ 14,422</u>	<u>\$ 16,818</u>	<u>\$ 132,725</u>	<u>\$ 198,977</u>
Noncash investing, capital, and financing activities:						
(Decrease) in fair value of investments	\$ -	\$ (18)	\$ (360)	\$ (8)	\$ (735)	\$ (1,121)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (18)</u>	<u>\$ (360)</u>	<u>\$ (8)</u>	<u>\$ (735)</u>	<u>\$ (1,121)</u>



FINANCIAL STATEMENTS

June 30, 2022



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tennessee Housing Development Agency, a component unit of the State of Tennessee, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tennessee Housing Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 agency's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of THDA's proportionate share of the net pension liability for the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's proportionate share of the net pension asset for the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's contributions to the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's contributions to the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's proportionate share of the collective total/net OPEB liability for the Closed State Employee Group OPEB Plan, the schedule of THDA's proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan, and the schedule of contributions to the State of Tennessee Postemployment Benefits Trust for the Closed State Employee Group OPEB Plan 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, which 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 financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information 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. The information has been subjected to the auditing procedures applied in the audits 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 information 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 December 9, 2022, on our consideration of the agency'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 agency's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 9, 2022

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management’s Discussion and Analysis
June 30, 2022

This section of the Tennessee Housing Development Agency’s (THDA) annual financial statements presents management’s discussion and analysis of THDA’s financial performance for the year ended June 30, 2022, with comparative information presented for the fiscal year ended June 30, 2021. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*. This section should be read in conjunction with the Independent Auditor’s Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

The mission statement of THDA is “Leading Tennessee Home by creating safe, sound, affordable housing opportunities.” THDA’s goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2022, THDA has originated over 133,000 single-family mortgage loans in its 49-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 70 of Tennessee’s 95 counties, as well as the project-based Contract Administration program for approximately 373 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, “The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency” (Section 13-23-105, *Tennessee Code Annotated*). This board meets regularly on a bimonthly basis; however, some committees may meet more often as situations dictate.

Overview of the Financial Statements

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows, as well as the notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year-end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA’s cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Annual Comprehensive Financial Report*. This report may be viewed at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Financial Highlights

Year Ended June 30, 2022

- Total assets increased by \$65.3 million, or 1.8%.
- Total liabilities increased by \$48.4 million, or 1.6%.
- Net position was \$558.9 million. This is an increase of \$10.3 million, or 1.9%, from fiscal year 2021 net position (as adjusted).
- Cash and cash equivalents increased by \$196.8 million, or 46.9%.
- Total investments increased by \$10.9 million, or 5.0%.
- Bonds payable decreased by \$77.4 million, or 2.7%.
- THDA originated \$410.3 million in new loans, which is an increase of \$20.7 million, or 5.3%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2022	2021
Current assets	\$832,612	\$603,820
Capital assets	5,371	5,171
Other noncurrent assets	2,849,688	3,013,397
Total assets	3,687,671	3,622,388
Deferred outflows of resources	7,270	4,103
Current liabilities	196,300	205,667
Noncurrent liabilities	2,927,831	2,870,046
Total liabilities	3,124,131	3,075,713
Deferred inflows of resources	11,867	2,107
Investment in capital assets	5,371	5,171
Restricted net position	460,881	494,520
Unrestricted net position	92,691	48,980
Total net position	\$558,943	\$548,671

2022 to 2021

First and second mortgage loans receivable (net of allowance for forgivable second mortgages) decreased by \$146.9 million. During fiscal year 2022, single-family mortgage loan originations increased by \$20.7 million, whereas mortgage loan payoffs increased by \$94.1 million and mortgage loan repayments decreased \$0.8 million. In addition, THDA recognized an allowance for future uncollectable forgivable second mortgages of \$37.5 million for fiscal year 2022.

Total liabilities increased \$48.4 million. The increase is primarily due to a \$77.4 million decrease of bonds payable at June 30, 2022, as compared to June 30, 2021, and a \$144.5 million increase of unearned revenue primarily from funds received in advance of expenses for the Homeowner Assistance Fund (HAF). This program was a new program in fiscal year 2021.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2022	2021
Operating revenues		
Mortgage interest income	\$108,506	\$121,440
Investment income	(7,796)	276
Other	70,435	42,707
Total operating revenues	171,145	164,423
Operating expenses		
Interest expense	70,315	80,015
Other	83,249	61,288
Total operating expenses	153,564	141,303
Operating income	17,581	23,120
Nonoperating revenues (expenses)		
Grant revenues	488,001	382,218
Payments from primary govt	215	277
Grant expenses	(495,525)	(392,311)
Total nonoperating revenues (expenses)	(7,309)	(9,816)
Change in net position	\$10,272	\$13,304

2022 to 2021

Total operating revenues increased \$6.7 million, primarily due to an increase in other income of \$27.7 million. Other income increased primarily due to an increase in federal grant administration fees.

Total operating expenses increased \$12.3 million. This is primarily due to an increase in contractual services. Contractual services increased primarily due to contractual activity related to the Emergency Rental Assistance (ERA) 1 Program, the Emergency Rental Assistance (ERA) 2 Program, and the Homeowner Assistance Fund (HAF). The Emergency Rental Assistance (ERA) 1 Program and the HAF were new programs in fiscal year 2021. The Emergency Rental Assistance (ERA) 2 Program was a new program in fiscal year 2022.

Nonoperating grant revenues increased \$105.8 million and nonoperating grant expenses increased \$103.2 million, primarily due to an increase in spending of federal grant programs. The increase in spending of federal grant programs is due to THDA being awarded new sources of funding from the federal government that are related to COVID-19 pandemic relief.

Debt Activity

Bonds outstanding as of June 30, 2022, were \$2,832,029 (expressed in thousands) which is a \$77.4 million decrease from bonds outstanding of \$2,909,404 (expressed in thousands) as of June 30,

2021. The decrease in bonds payable is primarily due to a decrease in mortgage production, which therefore lead to fewer bonds issued during fiscal year 2022. In addition, prepayments on bonds remained at a high level. During the fiscal year, THDA issued debt totaling \$595 million, with activity arising from four bond issues.

With interest rates remaining at historically low levels, THDA continued to call bonds with proceeds from mortgage repayments and prepayments. THDA refunded \$130 million of outstanding bonds into new bond originations with lower interest rates.

Bond Ratings

For bonds issued under the Homeownership Program Bonds, Moody's Investor Service, Inc. (Moody's) has assigned THDA's bonds a rating of Aa1, and Standard and Poor's Global Ratings (S&P), a division of The McGraw-Hill Companies, Inc., has assigned THDA's bonds a rating of AA+.

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

Debt Limits

In accordance with Section 13-23-121, *Tennessee Code Annotated*, THDA operates under a "debt ceiling" of \$4,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2022	2021	2020 and Prior	Total
Funding Sources:				
THDA	\$7,400,000	\$7,400,000	\$101,300,000	\$116,100,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	\$7,400,000	\$7,400,000	\$105,650,000	\$120,450,000
Approved Uses:				
Rural Repair Program (USDA)	\$ -	\$ -	\$6,300,000	\$6,300,000
Ramp Programs & Housing Modification	500,000	-	2,250,000	2,750,000
Emergency Repairs	2,700,000	2,700,000	29,300,000	34,700,000
Competitive Grants	3,700,000	3,500,000	51,200,000	58,400,000
Rebuild & Recover	-	500,000	5,300,000	5,800,000
Challenge Grant Program	-	-	1,500,000	1,500,000
Creating Homes Initiative – 2 Program	-	-	2,500,000	2,500,000
COVID-19 Supplemental	-	-	500,000	500,000
Other Grants	500,000	700,000	6,800,000	8,000,000
Totals	\$7,400,000	\$7,400,000	\$105,650,000	\$120,450,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed-rate mortgage product while still offering down payment assistance with the addition of the Great Choice Plus loan program, which is a second mortgage at a 0% interest rate for a term of 10 years. During fiscal year 2015, the Great Choice Plus loan product was modified to a forgivable second mortgage, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced within the first nine years of closing. Beginning in year 10, the loan is forgiven at the rate of 20% per year. The loan is fully forgiven at the end of year 15. Subsequently, in October of 2016, the Great Choice Loan product was revised to feature a 30-year forgiveness requirement, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced or otherwise paid in full within the first 30 years of closing.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. This special offer, referred to as “Homeownership for the Brave,” provides a 0.5% rate reduction on the current interest rate for Great Choice loans. In addition to the rate reduction, Homeownership for the Brave applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan at a 0% interest rate.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages, interest-only mortgages, “buy-down” loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase “sub-prime” mortgage loans.

Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development),
- VA (Veterans Administration Guaranty Program),
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration), and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed list of these mortgage loan products and primary mortgage loan terms may be obtained from THDA’s website at <https://thda.org/homebuyers>.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave); insurer/guarantor (FHA, VA, RECD, private mortgage insurer); mortgage loan servicer; down-payment assistance; and other factors as deemed necessary.

As of June 30, 2022, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage ¹
60 – 89 Days Past Due	24,818	458	\$46,675,175	1.85%
90+ Days Past Due	24,818	1,878	207,574,272	7.57%
In Foreclosure	24,818	51	4,095,272	0.21%

Economic Factors

In accordance with THDA’s investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

¹ Percentage is calculated by dividing the “Number of Loans in Status” by the “Total Number of Loans Serviced.”

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single-Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Trent Ridley, Chief Financial Officer, at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)

ASSETS	
Current assets:	
Cash and cash equivalents (Note 2)	\$ 582,583
Investments (Note 2)	79,205
Receivables:	
Accounts	18,399
Interest	17,002
Loans held for resale	1,440
First mortgage loans	79,862
Due from federal government	52,543
Due from other state funds	<u>1,578</u>
Total current assets	<u>832,612</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (Note 2)	33,596
Investments (Note 2)	115,096
Investment interest receivable	394
Investments (Note 2)	34,002
First mortgage loans receivable	2,590,354
Second mortgage loans receivable	83,830
Allowance for uncollectable second mortgages	(37,497)
Other receivables (Note 1)	23,204
Unearned service release premium	428
Advance to local government	3,146
Net pension asset (Note 5)	3,135
Capital assets:	
Furniture and equipment	12,701
Less accumulated depreciation	<u>(7,330)</u>
Total noncurrent assets	<u>2,855,059</u>
Total assets	<u>3,687,671</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refundings	28
Deferred outflows related to pensions (Note 5)	6,044
Deferred outflows related to OPEB (Note 9)	208
Deferred outflows related to defeased bonds (Note 3)	<u>990</u>
Total deferred outflows of resources	<u>7,270</u>
LIABILITIES	
Current liabilities:	
Accounts payable	52,358
Accrued payroll and related liabilities	855
Compensated absences (Note 3)	906
Due to primary government	105
Interest payable	38,644
Escrow deposits (Note 3)	19,170
Prepayments on mortgage loans	1,165
Line of credit payable	1,395
Due to federal government	17
Bonds payable (Note 3)	<u>81,685</u>
Total current liabilities	<u>196,300</u>
Noncurrent liabilities:	
Bonds payable (Note 3)	2,750,344
Compensated absences (Note 3)	1,010
Total OPEB liability (Note 9)	1,185
Escrow deposits (Note 3)	13,678
Unearned revenue (Note 3)	<u>161,614</u>
Total noncurrent liabilities	<u>2,927,831</u>
Total liabilities	<u>3,124,131</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions (Note 5)	10,256
Deferred inflows related to OPEB (Note 9)	<u>1,611</u>
Total deferred inflows of resources	<u>11,867</u>
NET POSITION	
Investment in capital assets	5,371
Restricted for single family bond programs (Note 4 and Note 7)	435,820
Restricted for grant programs (Note 4)	18,773
Restricted for Homebuyers Revolving Loan Program (Note 4)	3,153
Restricted for net pension asset (Note 5)	3,135
Unrestricted (Note 7)	<u>92,691</u>
Total net position	<u>\$ 558,943</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

OPERATING REVENUES

Mortgage interest income	\$ 108,506
Investment income:	
Interest	2,080
Net decrease in the fair value of investments	(9,876)
Federal grant administration fees	48,625
Fees and other income	<u>21,810</u>
Total operating revenues	<u>171,145</u>

OPERATING EXPENSES

Salaries and benefits	22,096
Contractual services	35,694
Materials and supplies	1,581
Rentals and insurance	38
Other administrative expenses	404
Other program expenses	17,411
Interest expense	70,315
Issuance costs	4,203
Amortization: service release premium	27
Depreciation	<u>1,795</u>
Total operating expenses	<u>153,564</u>
Operating income	<u>17,581</u>

NONOPERATING REVENUES (EXPENSES)

Federal grants revenue	488,001
Payment from primary government (Note 10)	215
Federal grants expenses	(488,037)
Local grants expenses	<u>(7,488)</u>
Total nonoperating revenues (expenses)	<u>(7,309)</u>
Change in net position	<u>10,272</u>
Total net position, July 1	548,671
Total net position, June 30	<u>\$ 558,943</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 810,826
Receipts from federal government	48,647
Other miscellaneous receipts	21,810
Acquisition of mortgage loans	(410,334)
Payments to suppliers	(43,188)
Payments to or for employees	<u>(25,980)</u>
Net cash provided by operating activities	<u>401,781</u>
Cash flows from non-capital financing activities:	
Operating grants received	460,843
Payment from primary government	215
Proceeds from sale of bonds	612,059
Operating grants paid	(488,305)
Cost of issuance paid	(4,203)
Principal payments	(676,295)
Interest paid	<u>(88,569)</u>
Net cash used for non-capital financing activities	<u>(184,255)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(1,995)</u>
Net cash used by capital and related financing activities	<u>(1,995)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	188,153
Purchases of investments	(209,141)
Investment interest received	1,997
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	<u>239</u>
Net cash used for investing activities	<u>(18,752)</u>
Net increase in cash and cash equivalents	196,779
Cash and cash equivalents, July 1	<u>419,400</u>
Cash and cash equivalents, June 30	<u>\$ 616,179</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

Reconciliation of operating income to	
net cash provided by operating activities:	
Operating income	\$ <u>17,581</u>
Adjustments to reconcile operating income to	
net cash provided by operating activities:	
Depreciation	1,795
Changes in assets, liabilities, and deferrals:	
Accounts receivable	1,177
Mortgage interest receivable	2,803
Other receivables	(1,411)
Unearned service release premium	(165)
Pension asset	(2,905)
Deferred pension outflows	(3,295)
Deferred OPEB outflows	29
Loans held for resale	340
Mortgage loans receivable	149,664
Due from federal government	22
Accounts payable	7,267
Accrued payroll / compensated absences	49
Due to primary government	13
Unearned revenue	144,452
Line of credit payable	(383)
Pension liability	(7,122)
OPEB liability	(204)
Deferred pension inflows	9,941
Deferred OPEB inflows	(181)
Investment income included as operating revenue	7,796
Interest expense included as operating expense	70,315
Issuance cost included as operating expense	<u>4,203</u>
Total adjustments	<u>384,200</u>
Net cash provided by operating activities	\$ <u><u>401,781</u></u>
Noncash investing, capital, and financing activities:	
Decrease in fair value of investments	\$ <u>(9,347)</u>
Total noncash investing, capital, and financing activities	\$ <u><u>(9,347)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2022

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in *Tennessee Code Annotated*, Section 13-23-101 et seq. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, *Code of Federal Regulations*, Part 964, Subpart E. *Tennessee Code Annotated* Section 13-23-101 et seq. was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Annual Comprehensive Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Homeownership Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency follows these procedures in establishing and maintaining the various funds

Notes to the Financial Statements (Continued)

and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of \$5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

<u>Description</u>	<u>Estimated Life</u>
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds; Bond Reserve Funds; the Tax and Insurance Holding/Escrow account; Funds on deposit for, or on behalf of, borrower's related to Loan Servicing; Hardest Hit Fund cash; and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Notes to the Financial Statements (Continued)

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Other Receivables

Amounts reported as Other Receivables are for amounts related to acquiring servicing rights from THDA's partners. Beginning in FY 2018, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans, and in association with typical industry practices, THDA paid one percent (1%) of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In FY 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers, which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Other Receivables, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S. federal government, public housing bonds secured by contracts with the U.S. federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Notes to the Financial Statements (Continued)

Mortgages

Mortgages are carried at their original amount less collected principal.

Secondary Market Mortgage Program

During FY 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a “seller/servicer.” To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency’s primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within ten years of the origination date. Beginning on the eleventh anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course of time, or not recovered due to foreclosure, an allowance account has been established for those

Notes to the Financial Statements (Continued)

loans that may enter the forgivable period or for loss due to foreclosure. During the fiscal year 2020, the agency determined that an amount of second mortgage down payment assistance loans are not expected to be recovered due to forgiveness or foreclosure. This amount was recorded as an allowance.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Notes to the Financial Statements (Continued)

At June 30, 2022, the bank balance was \$39,803,253.96. This amount includes \$27,464,969.86; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans, and \$277,632.47; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Freddie Mac serviced loans. All bank balances at June 30, 2022, were insured. During FY 2022, the Hardest Hit Fund ended and all relative Bank of New York Mellon accounts were closed.

Investments

As stated in the agency's investment policy, the "prudent man rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within five years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

	June 30, 2022	
Investment Type	Fair Value	Effective Duration (Years)
U.S. Agency Coupon	\$158,136,368	0.673
U.S. Treasury Coupon	5,731,366	1.065
U.S. Agency Discount	339,136,586	0.115
Total	<u>\$503,004,320</u>	0.302

Notes to the Financial Statements (Continued)

Fair Value Measurements – THDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2022, (expressed in thousands):

Assets by Fair Value Level	June 30, 2022			
	Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	\$158,136	\$ -	\$158,136	\$ -
U.S. Treasury Coupon	5,731	5,731	-	-
U.S. Agency Discount	339,137	-	339,137	-
Total debt securities	\$503,004	\$ 5,731	\$497,273	\$ -

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency’s permitted investments. Credit quality ratings for the agency’s investments as of June 30, 2022, are included in the schedules below. Securities are rated using Standard and Poor’s and/or Moody’s and are presented below using the Standard and Poor’s rating scale.

Investment Type	Fair Value	U.S.			
		Treasury¹	AAA	AA+	Not Rated²
U.S. Agency Coupon	\$158,136	\$ -	\$ -	\$ 158,136	\$ -
U.S. Treasury Coupon	5,731	5,731	-	-	-
U.S. Agency Discount	339,137	-	-	-	339,137
Total	\$503,004	\$5,731	\$ -	\$ 158,136	\$339,137

In addition to these investments, the agency has \$98,786,871.01 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor’s rating of AAA.

¹ This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

² This column includes securities that are implicitly guaranteed by the U.S. government, but are not rated by Standard & Poor’s or Moody’s.

Notes to the Financial Statements (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency’s investment in a single issuer.

More than 5% of the agency’s investments are invested in the following single issuers:

	June 30, 2022	
Issuer	Fair Value (Thousands)	% of Portfolio
Federal Home Loan Bank	\$439,480	87.37
Federal Home Loan Mortgage Corp.	\$27,333	5.43
Federal National Mortgage Admin	\$30,459	6.06

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

Note 3. Liabilities

Bonds Issued and Outstanding

Homeownership Program Bonds

				Ending Balance 6/30/2022 (Thousands)
Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	
2012-1	1/1/2013 – 7/1/2042	133,110	0.80 to 4.50	-
2012-2	7/1/2013 – 7/1/2043	97,625	0.50 to 4.00	-
Total Homeownership Program Bonds		\$230,735		\$ -
Plus: Unamortized Bond Premiums				-
Net Homeownership Program Bonds				\$ -

Housing Finance Program Bonds

				Ending Balance 6/30/2022 (Thousands)
Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	46,445
Total Housing Finance Program Bonds		\$150,000		\$46,445
Plus: Unamortized Bond Premiums				859
Net Housing Finance Program Bonds				\$47,304

Notes to the Financial Statements (Continued)

Residential Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2022 (Thousands)
2013-1	1/1/2014 – 7/1/2043	\$ 215,905	0.40 to 4.00	\$ 34,200
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	28,030
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	38,030
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	48,530
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	51,940
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	63,220
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	55,800
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	57,780
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	14,625
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	36,810
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	83,880
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	58,605
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	60,895
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	56,765
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	96,635
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	99,075
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	141,225
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	122,315
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	148,675
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	115,725
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	155,780
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	162,140
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	63,945
2020-3	1/1/2021 – 7/1/2050	145,000	0.80 to 3.50	127,195
2020-4	7/1/2021 – 1/1/2051	145,000	1.50 to 3.00	134,940
2021-1	1/1/2022 – 7/1/2051	149,990	0.20 to 3.00	145,945
2021-2	7/1/2022 – 1/1/2052	99,990	0.125 to 3.00	99,370
2021-3	7/1/2022 – 1/1/2052	170,000	0.20 to 3.00	90,820
2022-1	1/1/2023 – 7/1/2052	175,000	1.25 to 5.00	175,000
2022-2	1/1/2023 – 1/1/2053	149,990	1.75 to 5.00	149,990

Total Residential Finance Program Bonds	\$4,452,275	\$2,717,885
Plus: Unamortized Bond Premiums		67,182
Subtract: Unamortized Bond Discount		(342)
Net Residential Finance Program Bonds		<u>\$2,784,725</u>
Net Total All Bonds		<u><u>\$2,832,029</u></u>

Housing Finance Program Bonds – The Housing Finance Program Bonds were established on December 23, 2009, to allow the agency to participate in the U.S. Department of Treasury New Issue Bond Program, which was created to assist state and local housing finance agencies in acquiring cost-effective mortgage loan capital. THDA could release funds from issue 2009-B up to six times before December 31, 2011.

Notes to the Financial Statements (Continued)

The first release and conversion from 2009-B was on June 17, 2010, in the amount of \$85,290,000. The \$85,290,000 was blended with the market rate 2010-A bonds in the amount of \$74,710,000 for a total of \$160,000,000.

The second release and conversion from 2009-B was on November 10, 2010, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2010-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The third release and conversion from 2009-B was on April 14, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-A bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fourth release and conversion from 2009-B was on August 25, 2011, in the amount of \$60,000,000. The \$60,000,000 was blended with the market rate 2011-B bonds in the amount of \$40,000,000 for a total of \$100,000,000.

The fifth and final release and conversion from 2009-B was on November 3, 2011, in the amount of \$34,710,000. The \$34,710,000 was blended with the market rate 2011-C bonds in the amount of \$65,290,000 for a total of \$100,000,000.

As of June 30, 2021, all bonds related to Treasury New Issue Bond Program have been redeemed.

Debt Service Requirements

Debt service requirements to maturity at June 30, 2022, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2023	\$ 13,280	\$ 82,366	\$ 95,646
2024	106,905	86,676	193,581
2025	109,000	84,358	193,358
2026	111,295	81,802	193,097
2027	109,160	78,989	188,149
2028 – 2032	552,360	347,745	900,105
2033 – 2037	461,040	269,713	730,753
2038 – 2042	495,780	191,498	687,278
2043 – 2047	477,090	107,607	584,697
2048 – 2052	315,175	27,837	343,012
2053	13,245	412	13,657
Total	<u>\$2,764,330</u>	<u>\$1,359,002</u>	<u>\$4,123,332</u>

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,764,330 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

Notes to the Financial Statements (Continued)

The outstanding bonds payable of \$2,764,330 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2022 is \$73,567,715.

Redemption of Bonds and Notes

During the year ended June 30, 2022, bonds were retired at par before maturity in the Homeownership Program in the amount of \$8,980,000 in the Housing Finance Program in the amount of \$15,500,000 and in the Residential Finance Program in the amount of \$521,055,000. The respective carrying values of the bonds were \$9,155,607, \$15,793,778 and \$531,241,487. This resulted in revenue to the Homeownership Program of \$175,607, to the Housing Finance Program of \$293,778, and to the Residential Finance Program of \$10,186,487.

On September 30, 2021 the agency issued \$99,990,000 in Residential Finance Program Bonds, Issue 2021-2.

On December 16, 2021 the agency issued \$170,000,000 in Residential Finance Program Bonds, Issue 2021-3. On January 1, 2022, the agency used \$50,820,000 of these bonds to refund bonds previously issued in the Homeownership Program (this amount consists of \$50,820,000 early redemption). The carrying amount of these bonds was \$50,820,000. The refunding reduced the agency's debt service by \$2,155,643 over the next 21.0 years, and the agency realized an economic gain (the difference between the present values of the old and new debt service payments) of \$3,570,372.

On April 26, 2022, the agency issued \$175,000,000 in Residential Finance Program Bonds, Issue 2022-1. On May 1, 2022, the agency used \$79,180,000 of these bonds to refund bonds previously issued in the Residential Finance Program Bonds (this amount consists of \$79,180,000 early redemption). The carrying amount of these bonds was \$79,180,000. The refunding increased the agency's debt service by \$42,612,323 over the next 30.0 years, and the agency realized an economic loss (the difference between the present values of the old and new debt service payments) of \$1,888,731.

On June 22, 2022, the agency issued \$149,990,000 in Residential Finance Program Bonds, Issue 2022-2.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2022 (expressed in thousands).

Notes to the Financial Statements (Continued)

Long Term Liability	Beginning Balance July 1, 2021	Additions	Reductions	Ending Balance June 30, 2022	Amounts Due Within One Year³
Bonds Payable	\$2,845,645	\$594,980	(\$676,295)	\$2,764,330	\$81,685
Plus: Unamortized Bond Premiums	64,126	17,113	(13,198)	68,041	-
Less: Unamortized Bond Discounts	(367)	(0)	25	(342)	-
Compensated Absences	1,867	1,417	(1,368)	1,916	906
Escrow Deposits	40,787	125,216	(133,155)	32,848	19,170
Unearned Revenue	17,162	159,578	(15,126)	161,614	-
Arbitrage Rebate Payable	-	-	(-)	-	-
Total	\$2,969,220	\$898,304	(\$839,117)	\$3,028,407	\$101,761

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and

³Amounts due within one year include management authorized bond refundings at June 30.

Notes to the Financial Statements (Continued)

retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2022, to the

Notes to the Financial Statements (Continued)

Closed State and Higher Education Employee Pension Plan were \$1,809,322. Additional contributions of \$1,057,851 were made to the pension plan by the State of Tennessee on behalf of the agency. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset) – At June 30, 2022, THDA reported a liability of \$(2,565,961) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA’s proportion of the net pension liability was based on the proportion of THDA’s contributions during the year ended June 30, 2021, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2021, measurement date, THDA’s proportion was 0.419379 percent. The proportion measured as of June 30, 2020, was 0.434725 percent.

Pension expense (negative pension expense) – For the year ended June 30, 2022, THDA recognized a negative pension expense of \$387,760. Allocated negative pension expense was \$317,666 before being decreased by \$70,094 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2022, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55	\$ 626
Net difference between projected and actual earnings on pension plan investments	-	8,906
Change in proportionate share of net asset or liability	40	205
Changes in assumptions	2,711	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2021	2,867	-
Total	\$5,673	\$9,737

Deferred outflows of resources, resulting from THDA’s employer contributions of \$2,867 subsequent to the measurement date will be recognized as an addition in net pension asset in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: (expressed in thousands):

Notes to the Financial Statements (Continued)

Year Ended June 30:	
2023	(1,265)
2024	(1,153)
2025	(2,109)
2026	(2,402)
2027	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2020, with generational projection.

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blended of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the asset allocation percentage and by adding the expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Notes to the Financial Statements (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents THDA’s proportionate share of the net pension asset calculated using the discount rate of 6.75 percent, as well as what THDA’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$6,777,667	\$(2,565,961)	\$(10,410,016)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.state.tn.us/tcrs>.

Payable to the Pension Plan

At June 30, 2022, THDA reported a payable of \$70,027 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated* Title 8, Chapters 34-37.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – *Tennessee Code Annotated* Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation by 1.0 percent multiplied by member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Notes to the Financial Statements (Continued)

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2022, to the State and Higher Education Employee Retirement Plan were \$182,103, which is 1.86 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2022, THDA reported an asset of \$568,677 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA’s proportion of the net pension asset was based on a projection of THDA’s contributions during the year ended June 30, 2021, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2021, measurement date, THDA’s proportion was 0.671032 percent. The proportion measured as of June 30, 2020, was 0.653018 percent.

Pension expense – For the year ended June 30, 2022, THDA recognized a pension expense of \$55,154. Allocated pension expense was \$74,055 before being decreased by \$18,902 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2022, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	14	\$67
Net difference between projected and actual earnings on pension plan investments	-	324
Changes in proportion of share of net asset or liability	10	128
Changes in assumptions	163	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2021	182	-
	<hr/>	<hr/>
Total	\$370	\$519

Notes to the Financial Statements (Continued)

Deferred outflows of resources, resulting from THDA's employer contributions of \$182,103 subsequent to the measurement date will be recognized as a decrease in net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year Ended June 30:	
2023	(84)
2024	(82)
2025	(81)
2026	(89)
2027	(3)
Thereafter	7

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2020, with generational projection.

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blended of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These Best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the asset allocation percentage and by adding the expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Notes to the Financial Statements (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents THDA’s proportionate share of the net pension asset calculated using the discount rate of 6.75 percent, as well as what THDA’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$87,863	\$(568,677)	\$(1,065,035)

Payable to the Pension Plan

At June 30, 2022, THDA reported a payable of \$7,710 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Notes to the Financial Statements (Continued)

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2022, for both defined benefit pension plans was \$(332,606).

Note 6. Deferred Compensation Plans

The Tennessee Housing Development Agency, through the State of Tennessee, offers employees two deferred compensation plans, one established pursuant to Internal Revenue Code, Section 457, and the other pursuant to *Internal Revenue Code* (IRC), Section 401(k). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 457 plan is voluntary for employees. The Tennessee Housing Development Agency provides up to a \$50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

The Tennessee Housing Development Agency recognized a pension expense of \$619,437 for employer contributions.

The Tennessee Housing Development Agency recognized a pension payable of 26,422 for employer contributions.

Note 7. Provisions for Mortgage Loan Losses

Most mortgage loans are insured by the Federal Housing Administration, an approved private mortgage insurance company, or are guaranteed by the Department of Veterans Affairs. The agency's board of directors has established a loan loss reserve of \$750,000 as a provision for potential loan losses arising from participation in the Rural Economic and Community

Notes to the Financial Statements (Continued)

Development Loan Guarantee Program. An additional \$232,000 was established as a loan loss reserve against potential losses on loans not specifically covered by one of the above programs, and \$500,000 was established as a loan loss reserve for self-insurance of second mortgages.

Since the amount of net position restricted for single-family bond programs exceeds the amounts necessary for these loan loss reserves, it is not necessary to designate unrestricted net position for this purpose.

Note 8. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first \$25,000 to \$75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 million annual aggregate deductible. For earthquake, named storm, wind/hail, and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage was \$500 million for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in the New Madrid Zone. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The agency participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances

Notes to the Financial Statements (Continued)

of the claims liabilities for the year ended June 30, 2022, is presented in the *Annual Comprehensive Financial Report and ACFR*. The ACFR is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2022, the Risk Management Fund held \$245 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 9. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a cost-sharing multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the primary government, the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by, *Tennessee Code Annotated (TCA)* Title 8, Chapter 27, Part 201. All retirees and disabled

Notes to the Financial Statements (Continued)

employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred provider organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent.

Contributions - Annually, an insurance committee, created in accordance with *Tennessee Code Annotated* (TCA) Title 8, Chapter 27, Part 201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent, or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2022 was \$126.301 million. The Tennessee Housing Development Agency share of the ADC was \$290 thousand. During the fiscal year the Tennessee Housing Development Agency contributed \$130 thousand to the OPEB Trust. The state general assembly has the authority to change the contribution requirements for the employers participating in the EGOP. The primary government made payments on behalf of Tennessee Housing Development Agency in the amount of \$205 thousand.

Net OPEB Liability

Proportionate share - The Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability, related to the EGOP, is 0.166138% and \$1.2 million, respectively. The proportion existing at the prior measurement date was 0.165964%. This resulted in a change in proportion of (0.000174%) between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2021, and measurement date of June 30, 2021.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	7.36% for 2022, decreasing annually to an ultimate rate of 4.5% for 2029 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Long-term Expected Rate of Return- The long-term expected rate of return of 6 percent on the OPEB Trust investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. *Tennessee Code Annotated* Title 8, Chapter 27, Part 802, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Notes to the Financial Statements (Continued)

<u>Asset Class</u>	Allocation Range		
	<u>Minimum</u>	<u>Maximum</u>	<u>Target Allocation</u>
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for reach major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.10%
Developed market international equity	4.81%
Emerging market international equity	5.33%
Cash (government)	(0.22%)
Private equity and strategic lending	3.71%
U.S. fixed income	0.32%
Real estate	2.91%

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. This is the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The long-term inflation rate was increased from 2.1% to 2.25%. Other changes in assumptions include changes made to the medical and drug trend rates, and coverage and acceptance rates to reflect more recent experience and subsidy amounts. Also, changes in retirement, withdrawal and mortality rates were made to match those provided by TCRS. The net change in liability as a result of these changes is not considered significant.

Notes to the Financial Statements (Continued)

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5%) or 1-percentage-point (7%) than the current discount rate (expressed in thousands).

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Proportionate share of the collective net OPEB liability	\$ 1,335	\$ 1,185	\$ 1,043

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.36% decreasing to 3.5%) or 1-percentage-point higher (8.36% decreasing to 5.5%) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease (6.36% decreasing to 3.5%)	Healthcare Cost Trend Rates (7.36% decreasing to 4.5%)	1% Increase (8.36% decreasing to 5.5%)
Proportionate share of the collective net OPEB liability	\$ 981	\$ 1,185	\$ 1,419

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

OPEB Expense – For the fiscal year ended June 30, 2022, the Tennessee Housing Development Agency recognized negative OPEB expense of \$226 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2022, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 113
Changes of assumptions	78	292
Net difference between actual and projected investment earnings	-	82

Notes to the Financial Statements (Continued)

Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	1,124
Contributions subsequent to the measurement date	130	
Total	\$ 208	\$ 1,611

The amounts shown above for “contributions subsequent to the measurement date” will be recognized as a reduction to the collective total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows (expressed in thousands):

For the year ended June 30:

2023	\$ (374)
2024	(374)
2025	(374)
2026	(361)
2027	(48)
Thereafter	(1)

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government) as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University, and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with *Tennessee*

Notes to the Financial Statements (Continued)

Code Annotated Title 8, Chapter 27, Part 209, benefits are established and amended by cooperation of insurance committees created by *Tennessee Code Annotated* Title 8, Chapter 27, Parts 201, 301, and 701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid \$10,325 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with *Tennessee Code Annotated* Title 8, Chapter 27, Part 209, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute toward employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the Closed TN OPEB Plan liability associated with the Tennessee Housing Development Agency’s employees. The primary government’s proportion and proportionate share of the total OPEB liability associated with the Tennessee Housing Development Agency was \$352 thousand. At the June 30, 2020, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.1980%. This represents a change of 0.0134% from the prior proportion of 0.2114%. The proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020, and a measurement date of June 30, 2020.

Notes to the Financial Statements (Continued)

Actuarial assumptions – The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2021, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the Tennessee Housing Development Agency's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

Notes to the Financial Statements (Continued)

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Primary government's share of the collective total OPEB liability	\$ 407	\$ 352	\$ 307

OPEB expense – For the fiscal year ended June 30, 2022, the primary government recognized OPEB expense of \$13 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2022 was \$213 thousand, which consisted of negative OPEB expense of \$226 thousand for the EGOP and \$13 thousand paid by the primary government for the TNP.

Note 10. On-Behalf Payments

During the year ended June 30, 2022, the State of Tennessee made payments of \$10,325 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of \$205,122 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Annual Comprehensive Financial Report*.

Note 11. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, \$15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the agency to the State General Fund. The \$43,000,000 transferred from the agency came from the following resources of the agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of \$35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Notes to the Financial Statements (Continued)

Note 12. Subsequent Events

Residential Finance Program Bonds, Issue 2022-3, were authorized by the board of directors on July 19, 2022, not to exceed \$200,000,000. The sale of the bonds will occur no later than December 31, 2022.

Residential Finance Program Bonds, Issue 2022-3, were sold on October 27, 2022. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (<i>Percent</i>)
2022-3	7/1/2023 – 1/1/2053	\$160,000,000	3.00 – 5.50

Residential Finance Program Bonds, Issue 2023-1, were authorized by the board of directors on November 15, 2022, not to exceed \$200,000,000. The sale of the bonds will occur no later than June 30, 2023.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Liability (Asset)	THDA's Proportionate Share of the Net Pension Liability (Asset)	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.419379%	\$(2,566)	\$8,852	(28.99%)	103.30%
2021	0.434725%	7,122	9,623	74.01%	90.58%
2020	0.445278%	6,288	10,040	62.63%	91.67%
2019	0.433148%	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%
2015	0.429581%	2,964	11,601	25.55%	95.11%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportionate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.671032%	\$569	\$8,496	6.69%	121.71%
2021	0.653018%	230	7,475	3.08%	112.90%
2020	0.628303%	261	5,893	4.42%	122.36%
2019	0.198493%	77	4,410	1.74%	132.39%
2018	0.170803%	35	3,068	1.15%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.457171%	13	498	2.60%	142.55%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2022	\$1,809	\$2,867	\$(1,058)	\$8,826	32.49%
2021	1,791	1,791	-	8,852	20.23%
2020	1,892	1,892	-	9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%
2015	1,652	1,652	-	10,994	15.03%
2014	1,744	1,744	-	11,601	15.03%
2013	1,693	1,693	-	11,264	15.03%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and decreased salary growth graded ranges remained at an average of 4%.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Contributions
State and Higher Education Employee Retirement Plan With TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2022	\$182	\$182	-	\$9,790	1.86%
2021	153	153	-	8,496	1.80%
2020	129	129	-	7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.81%
2015	19	19	-	498	3.82%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and decreased salary growth graded ranges remained at an average of 4%.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total/net OPEB liability	Employer proportionate share of the collective total/net OPEB liability	Covered-employee payroll	Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	OPEB plan fiduciary net position as a percentage of the total OPEB liability
2022	0.166138%	\$1,185	9,229	12.84%	39.00%
2021	0.165964%	1,389	9,903	14.03%	25.20%
2020	0.173646%	1,653	8,999	18.37%	18.00%
2019	0.241928%	3,351	9,720	34.47%	-
2018	0.266480%	3,578	10,046	35.62%	-

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6 percent to 6.0 percent. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total OPEB liability	Primary government proportionate share of the collective total OPEB liability related to THDA	Collective total OPEB liability	Covered-employee payroll
2022	0.00%	\$352	\$352	\$ 9,625
2021	0.00%	436	436	10,020
2020	0.00%	345	345	10,457
2019	0.00%	311	311	9,529
2018	0.00%	339	339	10,005

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Change of assumptions: In 2022, the discount rate changed from 2.21% to 2.25%.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2022	\$290	\$130	\$160	\$8,872	1.48%
2021	362	139	223	9,229	1.51%
2020	415	142	273	9,903	1.43%
2019	373	209	164	8,999	2.32%

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

This schedule is intended to display 10 years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2022
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 214,851	\$ 35,835	\$ -	\$ 3,907	\$ 327,990	\$ 582,583
Investments	-	4,574	-	-	74,631	79,205
Receivables:						
Accounts	12,483	12	-	50	5,854	18,399
Interest	4	1	-	328	16,669	17,002
Loans held for resale	1,440	-	-	-	-	1,440
First mortgage loans	-	2,426	-	1,891	75,545	79,862
Due from federal government	52,543	-	-	-	-	52,543
Due from other state funds	1,578	-	-	-	-	1,578
Due from other funds	-	-	-	-	34,679	34,679
Total current assets	282,899	42,848	-	6,176	535,368	867,291
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	27,810	-	-	3	5,783	33,596
Investments	-	-	-	6,249	108,847	115,096
Investment Interest receivable	-	-	-	14	380	394
Investments	-	2,218	-	-	31,784	34,002
First mortgage loans receivable	8	45,543	-	49,101	2,495,702	2,590,354
Second mortgage loans receivable	-	-	-	-	83,830	83,830
Allowance for uncollectable second mortgages	-	-	-	-	(37,497)	(37,497)
Other receivables	7,809	-	-	-	15,395	23,204
Unearned service release premium	428	-	-	-	-	428
Advance to local government	3,146	-	-	-	-	3,146
Net pension asset	3,135	-	-	-	-	3,135
Capital assets:						
Furniture and equipment	12,701	-	-	-	-	12,701
Less accumulated depreciation	(7,330)	-	-	-	-	(7,330)
Total noncurrent assets	47,707	47,761	-	55,367	2,704,224	2,855,059
Total assets	330,606	90,609	-	61,543	3,239,592	3,722,350
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	-	-	28	28
Deferred outflows related to pensions	6,044	-	-	-	-	6,044
Deferred outflows related to OPEB	208	-	-	-	-	208
Deferred outflows related to defeased bonds	-	-	-	-	990	990
Total deferred outflows of resources	6,252	-	-	-	1,018	7,270
LIABILITIES						
Current liabilities:						
Accounts payable	52,234	11	-	1	112	52,358
Accrued payroll and related liabilities	855	-	-	-	-	855
Compensated absences	906	-	-	-	-	906
Due to primary government	105	-	-	-	-	105
Interest payable	1	-	-	790	37,853	38,644
Escrow deposits	19,170	-	-	-	-	19,170
Prepayments on mortgage loans	2	-	-	26	1,137	1,165
Line of credit payable	1,395	-	-	-	-	1,395
Due to federal government	17	-	-	-	-	17
Due to other funds	34,679	-	-	-	-	34,679
Bonds payable	-	-	-	2,195	79,490	81,685
Total current liabilities	109,364	11	-	3,012	118,592	230,979
Noncurrent liabilities:						
Bonds payable	-	-	-	45,109	2,705,235	2,750,344
Compensated absences	1,010	-	-	-	-	1,010
Total OPEB liability	1,185	-	-	-	-	1,185
Escrow deposits	13,626	48	-	-	4	13,678
Unearned revenue	154,958	3,063	-	-	3,593	161,614
Total noncurrent liabilities	170,779	3,111	-	45,109	2,708,832	2,927,831
Total liabilities	280,143	3,122	-	48,121	2,827,424	3,158,810
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	10,256	-	-	-	-	10,256
Deferred inflows related to OPEB	1,611	-	-	-	-	1,611
Total deferred inflows of resources	11,867	-	-	-	-	11,867
NET POSITION						
Investment in capital assets	5,371	-	-	-	-	5,371
Restricted for single family bond programs	-	9,212	-	13,422	413,186	435,820
Restricted for grant programs	-	18,773	-	-	-	18,773
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Restricted for net pension asset	3,135	-	-	-	-	3,135
Unrestricted	33,189	59,502	-	-	-	92,691
Total net position	\$ 44,848	\$ 87,487	\$ -	\$ 13,422	\$ 413,186	\$ 558,943

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES						
Mortgage interest income	\$ 49	\$ 33	\$ 1,513	\$ 2,715	\$ 104,196	\$ 108,506
Investment income:						
Interest	467	28	142	40	1,403	2,080
Net decrease in the fair value of investments	-	(99)	(716)	(351)	(8,710)	(9,876)
Federal grant administration fees	48,625	-	-	-	-	48,625
Fees and other income	19,021	4	2,785	-	-	21,810
Total operating revenues	<u>68,162</u>	<u>(34)</u>	<u>3,724</u>	<u>2,404</u>	<u>96,889</u>	<u>171,145</u>
OPERATING EXPENSES						
Salaries and benefits	22,096	-	-	-	-	22,096
Contractual services	35,681	-	-	-	13	35,694
Materials and supplies	1,581	-	-	-	-	1,581
Rentals and insurance	38	-	-	-	-	38
Other administrative expenses	404	-	-	-	-	404
Other program expenses	10,837	-	5,389	61	1,124	17,411
Interest expense	14	-	803	1,480	68,018	70,315
Issuance costs	-	-	-	-	4,203	4,203
Amortization: service release premium	27	-	-	-	-	27
Depreciation	1,795	-	-	-	-	1,795
Total operating expenses	<u>72,473</u>	<u>-</u>	<u>6,192</u>	<u>1,541</u>	<u>73,358</u>	<u>153,564</u>
Operating income (loss)	<u>(4,311)</u>	<u>(34)</u>	<u>(2,468)</u>	<u>863</u>	<u>23,531</u>	<u>17,581</u>
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	488,001	-	-	-	-	488,001
Payment from primary government	215	-	-	-	-	215
Federal grants expenses	(488,037)	-	-	-	-	(488,037)
Local grants expenses	(7,488)	-	-	-	-	(7,488)
Total nonoperating revenues (expenses)	<u>(7,309)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,309)</u>
Income (loss) before transfers	<u>(11,620)</u>	<u>(34)</u>	<u>(2,468)</u>	<u>863</u>	<u>23,531</u>	<u>10,272</u>
Transfers (to) other funds	-	-	(89,158)	-	-	(89,158)
Transfers from other funds	47,914	8,806	-	616	31,822	89,158
Change in net position	<u>36,294</u>	<u>8,772</u>	<u>(91,626)</u>	<u>1,479</u>	<u>55,353</u>	<u>10,272</u>
Total net position, July 1	8,554	78,715	91,626	11,943	357,833	548,671
Total net position, June 30	<u>\$ 44,848</u>	<u>\$ 87,487</u>	<u>\$ -</u>	<u>\$ 13,422</u>	<u>\$ 413,186</u>	<u>\$ 558,943</u>

**TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)**

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:						
Receipts from customers	\$ 130,431	\$ 6,986	\$ -	\$ 17,150	\$ 656,259	\$ 810,826
Receipts from federal government	48,647	-	-	-	-	48,647
Receipts from other funds	-	-	68	-	18,121	18,189
Other miscellaneous receipts	19,021	4	2,785	-	-	21,810
Acquisition of mortgage loans	-	(2,395)	(18,039)	-	(389,900)	(410,334)
Payments to suppliers	(34,234)	-	(7,107)	(63)	(1,784)	(43,188)
Payments to other funds	(12,615)	(5,574)	-	-	-	(18,189)
Payments to or for employees	(25,980)	-	-	-	-	(25,980)
Net cash provided (used) by operating activities	<u>125,270</u>	<u>(979)</u>	<u>(22,293)</u>	<u>17,087</u>	<u>282,696</u>	<u>401,781</u>
Cash flows from non-capital financing activities:						
Operating grants received	460,843	-	-	-	-	460,843
Payment from primary government	215	-	-	-	-	215
Transfers in (out)	50,714	8,806	63,281	616	(123,417)	-
Proceeds from sale of bonds	-	-	-	-	612,059	612,059
Operating grants paid	(488,305)	-	-	-	-	(488,305)
Cost of issuance paid	-	-	-	-	(4,203)	(4,203)
Principal payments	-	-	(59,800)	(15,500)	(600,995)	(676,295)
Interest paid	(14)	-	(2,047)	(2,079)	(84,429)	(88,569)
Net cash provided (used) by non-capital financing activities	<u>23,453</u>	<u>8,806</u>	<u>1,434</u>	<u>(16,963)</u>	<u>(200,985)</u>	<u>(184,255)</u>
Cash flows from capital and related financing activities:						
Purchases of capital assets	(1,995)	-	-	-	-	(1,995)
Net cash used by capital and related financing activities	<u>(1,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,995)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	9,765	13,346	2,845	184,298	210,254
Purchases of investments	-	(6,547)	-	(4,345)	(220,350)	(231,242)
Investment interest received	467	28	272	33	1,197	1,997
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	19	1	3	216	239
Net cash provided (used) by investing activities	<u>467</u>	<u>3,265</u>	<u>13,619</u>	<u>(1,464)</u>	<u>(34,639)</u>	<u>(18,752)</u>
Net increase (decrease) in cash and cash equivalents	147,195	11,092	(7,240)	(1,340)	47,072	196,779
Cash and cash equivalents, July 1	95,466	24,743	7,240	5,250	286,701	419,400
Cash and cash equivalents, June 30	<u>\$ 242,661</u>	<u>\$ 35,835</u>	<u>\$ -</u>	<u>\$ 3,910</u>	<u>\$ 333,773</u>	<u>\$ 616,179</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2022
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	General Residential Finance Program Bonds	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (4,311)	\$ (34)	\$ (2,468)	\$ 863	\$ 23,531	\$ 17,581
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation	1,795	-	-	-	-	1,795
Changes in assets, liabilities, and deferrals:						
Accounts receivable	(923)	487	616	63	934	1,177
Mortgage interest receivable	(1)	-	657	328	1,819	2,803
Other receivables	(775)	-	-	-	(636)	(1,411)
Unearned service release premium	(165)	-	-	-	-	(165)
Pension asset	(2,905)	-	-	-	-	(2,905)
Deferred pension outflows	(3,295)	-	-	-	-	(3,295)
Deferred OPEB outflows	29	-	-	-	-	29
Loans held for resale	340	-	-	-	-	340
Mortgage loans receivable	669	1,193	(22,488)	14,055	156,235	149,664
Due from federal government	22	-	-	-	-	22
Interfund receivables	-	-	68	-	18,121	18,189
Interfund payables	(12,615)	(5,574)	-	-	-	(18,189)
Accounts payable	7,949	(185)	(55)	(13)	(429)	7,267
Accrued payroll / compensated absences	49	-	-	-	-	49
Due to primary government	13	-	-	-	-	13
Unearned revenue	137,796	3,063	-	-	3,593	144,452
Line of credit payable	(383)	-	-	-	-	(383)
Pension liability	(7,122)	-	-	-	-	(7,122)
OPEB liability	(204)	-	-	-	-	(204)
Deferred pension inflows	9,941	-	-	-	-	9,941
Deferred OPEB inflows	(181)	-	-	-	-	(181)
Investment income included as operating revenue	(467)	71	574	311	7,307	7,796
Interest expense included as operating expense	14	-	803	1,480	68,018	70,315
Issuance cost included as operating expense	-	-	-	-	4,203	4,203
Total adjustments	<u>129,581</u>	<u>(945)</u>	<u>(19,825)</u>	<u>16,224</u>	<u>259,165</u>	<u>384,200</u>
Net cash provided (used) by operating activities	<u>\$ 125,270</u>	<u>\$ (979)</u>	<u>\$ (22,293)</u>	<u>\$ 17,087</u>	<u>\$ 282,696</u>	<u>\$ 401,781</u>
Noncash investing, capital, and financing activities:						
Decrease in fair value of investments	\$ -	\$ (96)	\$ -	\$ (353)	\$ (8,898)	\$ (9,347)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (96)</u>	<u>\$ -</u>	<u>\$ (353)</u>	<u>\$ (8,898)</u>	<u>\$ (9,347)</u>

***UNAUDITED FINANCIAL
INFORMATION***

March 31, 2022

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

5/26/2022

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

March 31, 2022

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2022
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 177,056	\$ 15,929	\$ -	\$ 3,652	\$ 255,935	\$ 452,572
Investments	-	-	-	-	40,904	40,904
Receivables:						
Accounts	11,712	36	61	188	6,188	18,185
Interest	4	4	46	432	16,625	17,111
Loans held for resale	1,137	-	-	-	-	1,137
First mortgage loans	-	2,415	1,413	1,992	73,757	79,577
Due from federal government	30,193	-	-	-	-	30,193
Due from other state funds	14,733	-	-	-	-	14,733
Due from other funds	-	-	68	-	35,422	35,490
Total current assets	234,835	18,384	1,588	6,264	428,831	689,902
Noncurrent assets:						
Restricted assets:						
Cash and cash equivalents	20,639	-	-	18	9,185	29,842
Investments	-	-	-	6,313	105,571	111,884
Investment interest receivable	-	-	-	2	283	285
Investments	-	2,079	-	-	32,109	34,188
First mortgage loans receivable	8	46,027	-	51,692	2,480,778	2,578,505
Second mortgage loans receivable	-	-	81,914	-	-	81,914
Allowance for uncollectable second mortgages	-	-	(35,996)	-	-	(35,996)
Other receivables	8,174	-	-	-	14,584	22,758
Unearned service release premium	415	-	-	-	-	415
Advance to local government	3,146	-	-	-	-	3,146
Net pension asset	230	-	-	-	-	230
Capital assets:						
Furniture and equipment	10,706	-	-	-	-	10,706
Less accumulated depreciation	(5,535)	-	-	-	-	(5,535)
Total noncurrent assets	37,783	48,106	45,918	58,025	2,642,510	2,832,342
Total assets	272,618	66,490	47,506	64,289	3,071,341	3,522,244
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on refundings	-	-	-	-	29	29
Deferred outflows related to pensions	2,749	-	-	-	-	2,749
Deferred outflows related to OPEB	237	-	-	-	-	237
Deferred outflows related to defeased bonds	-	-	-	-	1,004	1,004
Total deferred outflows of resources	2,986	-	-	-	1,033	4,019
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 6,419	\$ 11	\$ -	\$ -	\$ 4	\$ 6,434
Compensated absences	861	-	-	-	-	861
Interest payable	1	-	-	423	19,387	19,811
Escrow deposits	13,391	-	-	-	-	13,391
Prepayments on mortgage loans	1	-	10	30	1,157	1,198
Line of credit payable	1,131	-	-	-	-	1,131
Due to federal government	762	-	-	-	-	762
Due to other funds	35,490	-	-	-	-	35,490
Bonds payable	-	-	-	1,975	167,110	169,085
Total current liabilities	58,056	11	10	2,428	187,658	248,163
Noncurrent liabilities:						
Bonds payable	-	-	32	48,689	2,485,945	2,534,666
Compensated absences	1,006	-	-	-	-	1,006
Net pension liability	7,122	-	-	-	-	7,122
Total OPEB liability	1,389	-	-	-	-	1,389
Escrow deposits	15,429	48	-	-	4	15,481
Unearned revenue	163,323	2,471	-	-	418	166,212
Total noncurrent liabilities	188,269	2,519	32	48,689	2,486,367	2,725,876
Total liabilities	246,325	2,530	42	51,117	2,674,025	2,974,039
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows related to pensions	315	-	-	-	-	315
Deferred inflows related to OPEB	1,792	-	-	-	-	1,792
Total deferred inflows of resources	2,107	-	-	-	-	2,107
NET POSITION						
Net investment in capital assets	5,171	-	-	-	-	5,171
Restricted for single family bond programs	-	3,791	47,464	13,172	398,349	462,776
Restricted for grant programs	-	17,890	-	-	-	17,890
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	-	3,153
Restricted for pension asset	230	-	-	-	-	230
Unrestricted	18,618	42,279	-	-	-	60,897
Total net position	\$ 27,172	\$ 63,960	\$ 47,464	\$ 13,172	\$ 398,349	\$ 550,117

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2022

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2022
OPERATING REVENUES						
Mortgage interest income	\$ 39	\$ 13	\$ 1,549	\$ 2,136	\$ 78,840	\$ 82,577
Investment income:						
Interest	100	19	142	27	934	1,222
Net decrease in the fair value of investments	-	(94)	(716)	(289)	(6,081)	(7,180)
Federal grant administration fees	27,857	-	-	-	-	27,857
Fees and other income	10,630	-	2,785	-	-	13,415
Total operating revenues	<u>38,626</u>	<u>(62)</u>	<u>3,760</u>	<u>1,874</u>	<u>73,693</u>	<u>117,891</u>
OPERATING EXPENSES						
Salaries and benefits	19,376	-	-	-	-	19,376
Contractual services	22,196	-	-	-	16	22,212
Materials and supplies	1,213	-	-	-	-	1,213
Rentals and insurance	28	-	-	-	-	28
Other administrative expenses	248	-	-	-	-	248
Other program expenses	7,885	-	3,452	57	834	12,228
Interest expense	14	-	803	1,155	51,386	53,358
Issuance costs	-	-	-	-	1,762	1,762
Amortization on service release premium	13	-	-	-	-	13
Total operating expenses	<u>50,973</u>	<u>-</u>	<u>4,255</u>	<u>1,212</u>	<u>53,998</u>	<u>110,438</u>
Operating income (loss)	<u>(12,347)</u>	<u>(62)</u>	<u>(495)</u>	<u>662</u>	<u>19,695</u>	<u>7,453</u>
NONOPERATING REVENUES (EXPENSES)						
Federal grants revenue	334,270	-	-	-	-	334,270
Federal grants expenses	(334,335)	-	-	-	-	(334,335)
Local grants expenses	(5,942)	-	-	-	-	(5,942)
Total nonoperating revenues (expenses)	<u>(6,007)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,007)</u>
Income (loss) before transfers	<u>(18,354)</u>	<u>(62)</u>	<u>(495)</u>	<u>662</u>	<u>19,695</u>	<u>1,446</u>
Transfers (to) other funds	-	(14,693)	(43,667)	-	-	(58,360)
Transfers from other funds	36,972	-	-	567	20,821	58,360
Change in net position	<u>18,618</u>	<u>(14,755)</u>	<u>(44,162)</u>	<u>1,229</u>	<u>40,516</u>	<u>1,446</u>
Total net position, July 1	8,554	78,715	91,626	11,943	357,833	548,671
Total net position, End of period	<u>\$ 27,172</u>	<u>\$ 63,960</u>	<u>\$ 47,464</u>	<u>\$ 13,172</u>	<u>\$ 398,349</u>	<u>\$ 550,117</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2022

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2022
Cash flows from operating activities:						
Receipts from customers	\$ 135,882	\$ 5,332	\$ 23,352	\$ 13,641	\$ 486,491	\$ 664,698
Receipts from federal government	27,516	-	-	-	-	27,516
Receipts from other funds	-	-	-	-	17,378	17,378
Other miscellaneous receipts	10,630	-	2,785	-	-	13,415
Acquisition of mortgage loans	-	(1,850)	(12,349)	-	(270,248)	(284,447)
Payments to suppliers	(36,962)	-	(24)	(60)	(794)	(37,840)
Payments to other funds	(11,804)	(5,574)	-	-	-	(17,378)
Payments to or for employees	(20,338)	-	-	-	-	(20,338)
Net cash provided (used) by operating activities	<u>104,924</u>	<u>(2,092)</u>	<u>13,764</u>	<u>13,581</u>	<u>232,827</u>	<u>363,004</u>
Cash flows from non-capital financing activities:						
Operating grants received	317,415	-	-	-	-	317,415
Transfers in (out)	36,972	(14,693)	27,225	567	(50,071)	-
Proceeds from sale of bonds	-	-	-	-	276,535	276,535
Operating grants paid	(357,168)	-	-	-	-	(357,168)
Cost of issuance paid	-	-	-	-	(1,762)	(1,762)
Principal payments	-	-	(59,800)	(12,220)	(400,425)	(472,445)
Interest paid	(14)	-	(2,048)	(2,040)	(82,961)	(87,063)
Net cash (used) by non-capital financing activities	<u>(2,795)</u>	<u>(14,693)</u>	<u>(34,623)</u>	<u>(13,693)</u>	<u>(258,684)</u>	<u>(324,488)</u>
Cash flows from investing activities:						
Proceeds from sales and maturities of investments	-	9,179	13,346	2,845	153,295	178,665
Purchases of investments	-	(1,225)	-	(4,345)	(149,868)	(155,438)
Investment interest received	100	15	272	32	806	1,225
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	2	1	-	43	46
Net cash provided (used) by investing activities	<u>100</u>	<u>7,971</u>	<u>13,619</u>	<u>(1,468)</u>	<u>4,276</u>	<u>24,498</u>
Net increase (decrease) in cash and cash equivalents	102,229	(8,814)	(7,240)	(1,580)	(21,581)	63,014
Cash and cash equivalents, July 1	<u>95,466</u>	<u>24,743</u>	<u>7,240</u>	<u>5,250</u>	<u>286,701</u>	<u>419,400</u>
Cash and cash equivalents, End of period	<u>\$ 197,695</u>	<u>\$ 15,929</u>	<u>\$ -</u>	<u>\$ 3,670</u>	<u>\$ 265,120</u>	<u>\$ 482,414</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2022

	Operating Group	Mortgage Finance Program	Home- ownership Program Bonds	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2022
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (12,347)	\$ (62)	\$ (495)	\$ 662	\$ 19,695	\$ 7,453
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Changes in assets and liabilities:						
Accounts receivable	(152)	463	555	(75)	600	1,391
Mortgage interest receivable	(1)	-	611	224	1,883	2,717
Loans held for resale	643	-	-	-	-	643
Mortgage loans receivable	669	720	11,761	11,363	134,900	159,413
Due from federal government	(341)	-	-	-	-	(341)
Other receivables	1,660	-	-	-	175	1,835
Unearned service release premium	(152)	-	-	-	-	(152)
Interfund receivables	-	-	-	-	17,378	17,378
Interfund payables	(11,804)	(5,574)	-	-	-	(17,378)
Accounts payable	(17,732)	(185)	(45)	(10)	(517)	(18,489)
Accrued payroll / compensated absences	(855)	-	-	-	-	(855)
Due to primary government	(92)	-	-	-	-	(92)
Line of credit payable	(647)	-	-	-	-	(647)
Unearned revenue	146,161	2,471	-	-	418	149,050
Investment income / expense included as operating revenue	(100)	75	574	262	5,147	5,958
Interest expense included as operating expense	14	-	803	1,155	51,386	53,358
Issuance cost included as operating expense	-	-	-	-	1,762	1,762
Total adjustments	<u>117,271</u>	<u>(2,030)</u>	<u>14,259</u>	<u>12,919</u>	<u>213,132</u>	<u>355,551</u>
Net cash provided (used) by operating activities	<u>\$ 104,924</u>	<u>\$ (2,092)</u>	<u>\$ 13,764</u>	<u>\$ 13,581</u>	<u>\$ 232,827</u>	<u>\$ 363,004</u>
Noncash investing, capital, and financing activities:						
Decrease in fair value of investments	-	(86)	-	(289)	(6,162)	(6,537)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (86)</u>	<u>\$ -</u>	<u>\$ (289)</u>	<u>\$ (6,162)</u>	<u>\$ (6,537)</u>

***UNAUDITED FINANCIAL
INFORMATION***

September 30, 2022

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

12/22/2022

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

September 30, 2022

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2022
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 169,318	\$ 31,770	\$ 1,957	\$ 147,798	\$ 350,843
Investments	-	9,095	635	109,571	119,301
Receivables:					
Accounts	9,582	13	39	3,721	13,355
Interest	4	4	308	14,632	14,948
Loans held for resale	945	-	-	-	945
First mortgage loans	-	2,457	1,859	75,077	79,393
Due from federal government	29,011	-	-	-	29,011
Due from other state funds	13,865	-	-	-	13,865
Due from other funds	-	-	-	35,447	35,447
Total current assets	222,725	43,339	4,798	386,246	657,108
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	34,078	-	16	4,956	39,050
Investments	-	-	6,059	104,621	110,680
Investment interest receivable	-	-	2	383	385
Investments	-	2,004	-	26,356	28,360
First mortgage loans receivable	8	46,766	47,409	2,523,289	2,617,472
Second mortgage loans receivable	-	-	-	86,690	86,690
Allowance for uncollectable second mortgages	-	-	-	(39,006)	(39,006)
Other receivables	7,514	-	-	16,248	23,762
Unearned service release premium	450	-	-	-	450
Advance to local government	3,146	-	-	-	3,146
Net pension asset	3,135	-	-	-	3,135
Capital assets:					
Furniture and equipment	12,701	-	-	-	12,701
Less accumulated depreciation	(7,330)	-	-	-	(7,330)
Total noncurrent assets	53,702	48,770	53,486	2,723,537	2,879,495
Total assets	276,427	92,109	58,284	3,109,783	3,536,603
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	28	28
Deferred outflows related to pensions	6,044	-	-	-	6,044
Deferred outflows related to OPEB	208	-	-	-	208
Deferred outflows related to defeased bonds	-	-	-	977	977
Total deferred outflows of resources	6,252	-	-	1,005	7,257
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,676	\$ 12	\$ -	\$ -	\$ 1,688
Accrued payroll and related liabilities	835	-	-	-	835
Compensated absences	906	-	-	-	906
Interest payable	2	-	371	20,818	21,191
Escrow deposits	23,875	-	-	-	23,875
Prepayments on mortgage loans	2	-	25	1,235	1,262
Line of credit payable	867	-	-	-	867
Due to other funds	35,447	-	-	-	35,447
Bonds payable	-	-	1,460	73,845	75,305
Total current liabilities	63,610	12	1,856	95,898	161,376
Noncurrent liabilities:					
Bonds payable	-	-	42,938	2,596,693	2,639,631
Compensated absences	1,010	-	-	-	1,010
Total OPEB liability	1,185	-	-	-	1,185
Escrow deposits	13,508	48	-	4	13,560
Unearned revenue	150,554	3,063	-	5,487	159,104
Total noncurrent liabilities	166,257	3,111	42,938	2,602,184	2,814,490
Total liabilities	229,867	3,123	44,794	2,698,082	2,975,866
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	10,256	-	-	-	10,256
Deferred inflows related to OPEB	1,611	-	-	-	1,611
Total deferred inflows of resources	11,867	-	-	-	11,867
NET POSITION					
Net investment in capital assets	5,371	-	-	-	5,371
Restricted for single family bond programs	-	13,171	13,490	412,706	439,367
Restricted for grant programs	-	23,221	-	-	23,221
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	3,153
Restricted for pension asset	3,135	-	-	-	3,135
Unrestricted	29,286	52,594	-	-	81,880
Total net position	\$ 40,945	\$ 88,986	\$ 13,490	\$ 412,706	\$ 556,127

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2022

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 9/30/2022</u>
OPERATING REVENUES					
Mortgage interest income	\$ 16	\$ 35	\$ 609	\$ 26,062	\$ 26,722
Investment income:					
Interest	15	47	16	813	891
Net increase (decrease) in the fair value of investments	-	31	(184)	(3,926)	(4,079)
Federal grant administration fees	5,023	-	-	-	5,023
Fees and other income	4,647	34	-	-	4,681
Total operating revenues	<u>9,701</u>	<u>147</u>	<u>441</u>	<u>22,949</u>	<u>33,238</u>
OPERATING EXPENSES					
Salaries and benefits	6,560	-	-	-	6,560
Contractual services	4,398	-	-	13	4,411
Materials and supplies	523	-	-	-	523
Rentals and insurance	6	-	-	-	6
Other administrative expenses	98	-	-	-	98
Other program expenses	2,638	-	-	1,568	4,206
Interest expense	8	-	302	17,344	17,654
Amortization on service release premium	16	-	-	-	16
Total operating expenses	<u>14,247</u>	<u>-</u>	<u>302</u>	<u>18,925</u>	<u>33,474</u>
Operating income (loss)	<u>(4,546)</u>	<u>147</u>	<u>139</u>	<u>4,024</u>	<u>(236)</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	101,847	-	-	-	101,847
Federal grants expenses	(101,866)	-	-	-	(101,866)
Local grants expenses	(2,561)	-	-	-	(2,561)
Total nonoperating revenues (expenses)	<u>(2,580)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,580)</u>
Income (loss) before transfers	<u>(7,126)</u>	<u>147</u>	<u>139</u>	<u>4,024</u>	<u>(2,816)</u>
Transfers (to) other funds	-	-	(71)	(4,504)	(4,575)
Transfers from other funds	3,223	1,352	-	-	4,575
Change in net position	<u>(3,903)</u>	<u>1,499</u>	<u>68</u>	<u>(480)</u>	<u>(2,816)</u>
Total net position, July 1	44,848	87,487	13,422	413,186	558,943
Total net position, End of period	<u>\$ 40,945</u>	<u>\$ 88,986</u>	<u>\$ 13,490</u>	<u>\$ 412,706</u>	<u>\$ 556,127</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2022

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2022
Cash flows from operating activities:					
Receipts from customers	\$ 3,595	\$ 810	\$ 2,363	\$ 120,920	\$ 127,688
Receipts from federal government	5,045	-	-	-	5,045
Receipts from other funds	768	-	-	-	768
Other miscellaneous receipts	4,647	34	-	-	4,681
Acquisition of mortgage loans	-	(2,029)	-	(117,517)	(119,546)
Payments to suppliers	(34,915)	-	(1)	(1,693)	(36,609)
Payments to other funds	-	-	-	(768)	(768)
Payments to or for employees	(6,632)	-	-	-	(6,632)
Net cash provided (used) by operating activities	<u>(27,492)</u>	<u>(1,185)</u>	<u>2,362</u>	<u>942</u>	<u>(25,373)</u>
Cash flows from non-capital financing activities:					
Operating grants received	113,053	-	-	-	113,053
Transfers in (out)	3,705	1,352	(71)	(4,986)	-
Operating grants paid	(128,539)	-	-	-	(128,539)
Principal payments	-	-	(2,830)	(110,620)	(113,450)
Interest paid	(7)	-	(797)	(37,932)	(38,736)
Net cash provided (used) by non-capital financing activities	<u>(11,788)</u>	<u>1,352</u>	<u>(3,698)</u>	<u>(153,538)</u>	<u>(167,672)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	634	-	-	634
Purchases of investments	-	(4,960)	(634)	(29,758)	(35,352)
Investment interest received	15	43	28	789	875
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	51	5	546	602
Net cash provided (used) by investing activities	<u>15</u>	<u>(4,232)</u>	<u>(601)</u>	<u>(28,423)</u>	<u>(33,241)</u>
Net decrease in cash and cash equivalents	(39,265)	(4,065)	(1,937)	(181,019)	(226,286)
Cash and cash equivalents, July 1	<u>242,661</u>	<u>35,835</u>	<u>3,910</u>	<u>333,773</u>	<u>616,179</u>
Cash and cash equivalents, End of period	<u>\$ 203,396</u>	<u>\$ 31,770</u>	<u>\$ 1,973</u>	<u>\$ 152,754</u>	<u>\$ 389,893</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2022

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2022
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (4,546)	\$ 147	\$ 139	\$ 4,024	\$ (236)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	2,901	(1)	11	2,133	5,044
Mortgage interest receivable	-	-	20	2,057	2,077
Loans held for resale	495	-	-	-	495
Mortgage loans receivable	-	(1,254)	1,724	(28,470)	(28,000)
Due from federal government	22	-	-	-	22
Other receivables	(187)	-	-	(371)	(558)
Unearned service release premium	(22)	-	-	-	(22)
Interfund receivables	768	-	-	-	768
Interfund payables	-	-	-	(768)	(768)
Accounts payable	(21,859)	1	(2)	(14)	(21,874)
Accrued payroll / compensated absences	(20)	-	-	-	(20)
Due to primary government	(105)	-	-	-	(105)
Line of credit payable	(528)	-	-	-	(528)
Unearned revenue	(4,404)	-	-	1,894	(2,510)
Investment income / expense included as operating revenue	(15)	(78)	168	3,113	3,188
Interest expense included as operating expense	8	-	302	17,344	17,654
Total adjustments	<u>(22,946)</u>	<u>(1,332)</u>	<u>2,223</u>	<u>(3,082)</u>	<u>(25,137)</u>
Net cash provided (used) by operating activities	<u>\$ (27,492)</u>	<u>\$ (1,185)</u>	<u>\$ 2,362</u>	<u>\$ 942</u>	<u>\$ (25,373)</u>
Noncash investing, capital, and financing activities:					
Decrease in fair value of investments	-	(19)	(187)	(4,354)	(4,560)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (19)</u>	<u>\$ (187)</u>	<u>\$ (4,354)</u>	<u>\$ (4,560)</u>

***UNAUDITED FINANCIAL
INFORMATION***

December 31, 2022

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

2/27/2023

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2022

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2022
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 169,275	\$ 21,547	\$ 1,925	\$ 153,371	\$ 346,118
Investments	-	6,092	458	178,885	185,435
Receivables:					
Accounts	10,610	8	72	3,396	14,086
Interest	5	2	302	13,784	14,093
Loans held for resale	1,438	-	-	-	1,438
First mortgage loans	-	2,447	1,860	74,510	78,817
Due from federal government	36,158	-	-	-	36,158
Due from other state funds	11,321	-	-	-	11,321
Due from other funds	-	-	-	35,452	35,452
Total current assets	228,807	30,096	4,617	459,398	722,918
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	15,167	-	17	5,062	20,246
Investments	-	-	6,098	105,275	111,373
Investment interest receivable	-	-	15	381	396
Investments	-	11,870	-	20,565	32,435
First mortgage loans receivable	8	47,321	46,299	2,557,403	2,651,031
Second mortgage loans receivable	-	-	-	89,195	89,195
Allowance for uncollectable second mortgages	-	-	-	(40,232)	(40,232)
Other receivables	7,303	-	-	16,983	24,286
Unearned service release premium	490	-	-	-	490
Advance to local government	3,146	-	-	-	3,146
Net pension asset	3,135	-	-	-	3,135
Capital assets:					
Furniture and equipment	12,701	-	-	-	12,701
Less accumulated depreciation	(7,330)	-	-	-	(7,330)
Total noncurrent assets	34,620	59,191	52,429	2,754,632	2,900,872
Total assets	263,427	89,287	57,046	3,214,030	3,623,790
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	27	27
Deferred outflows related to pensions	6,044	-	-	-	6,044
Deferred outflows related to OPEB	208	-	-	-	208
Deferred outflows related to defeased bonds	-	-	-	963	963
Total deferred outflows of resources	6,252	-	-	990	7,242
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 9,989	\$ 12	\$ 2	\$ 118	\$ 10,121
Accrued payroll and related liabilities	835	-	-	-	835
Compensated absences	906	-	-	-	906
Interest payable	4	-	711	41,474	42,189
Escrow deposits	6,149	-	-	-	6,149
Prepayments on mortgage loans	2	-	25	1,435	1,462
Line of credit payable	1,325	-	-	-	1,325
Due to other funds	35,452	-	-	-	35,452
Bonds payable	-	-	1,090	53,535	54,625
Total current liabilities	54,662	12	1,828	96,562	153,064
Noncurrent liabilities:					
Bonds payable	-	-	41,390	2,689,714	2,731,104
Compensated absences	1,010	-	-	-	1,010
Total OPEB liability	1,185	-	-	-	1,185
Escrow deposits	15,739	48	-	4	15,791
Unearned revenue	144,503	3,075	-	6,779	154,357
Total noncurrent liabilities	162,437	3,123	41,390	2,696,497	2,903,447
Total liabilities	217,099	3,135	43,218	2,793,059	3,056,511
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	10,256	-	-	-	10,256
Deferred inflows related to OPEB	1,611	-	-	-	1,611
Total deferred inflows of resources	11,867	-	-	-	11,867
NET POSITION					
Net investment in capital assets	5,371	-	-	-	5,371
Restricted for single family bond programs	-	11,534	13,828	421,961	447,323
Restricted for grant programs	-	24,289	-	-	24,289
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	3,153
Restricted for pension asset	3,135	-	-	-	3,135
Unrestricted	29,054	50,329	-	-	79,383
Total net position	\$ 40,713	\$ 86,152	\$ 13,828	\$ 421,961	\$ 562,654

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2022

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 12/31/2022</u>
OPERATING REVENUES					
Mortgage interest income	\$ 32	\$ 82	\$ 1,191	\$ 52,938	\$ 54,243
Investment income:					
Interest	1,915	163	35	1,950	4,063
Net increase (decrease) in the fair value of investments	-	238	(132)	(985)	(879)
Federal grant administration fees	17,299	-	-	-	17,299
Fees and other income	9,062	66	-	201	9,329
Total operating revenues	<u>28,308</u>	<u>549</u>	<u>1,094</u>	<u>54,104</u>	<u>84,055</u>
OPERATING EXPENSES					
Salaries and benefits	13,310	-	-	-	13,310
Contractual services	15,634	-	-	16	15,650
Materials and supplies	1,397	-	-	-	1,397
Rentals and insurance	16	-	-	-	16
Other administrative expenses	266	-	-	-	266
Other program expenses	4,968	-	2	3,160	8,130
Interest expense	18	-	599	35,488	36,105
Issuance costs	-	-	-	1,243	1,243
Amortization on service release premium	20	-	-	-	20
Total operating expenses	<u>35,629</u>	<u>-</u>	<u>601</u>	<u>39,907</u>	<u>76,137</u>
Operating income (loss)	<u>(7,321)</u>	<u>549</u>	<u>493</u>	<u>14,197</u>	<u>7,918</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	242,423	-	-	-	242,423
Federal grants expenses	(242,436)	-	-	-	(242,436)
Local grants expenses	(4,194)	-	-	-	(4,194)
Total nonoperating revenues (expenses)	<u>(4,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,207)</u>
Income (loss) before transfers	<u>(11,528)</u>	<u>549</u>	<u>493</u>	<u>14,197</u>	<u>3,711</u>
Transfers (to) other funds	-	(1,884)	(87)	(5,422)	(7,393)
Transfers from other funds	7,393	-	-	-	7,393
Change in net position	<u>(4,135)</u>	<u>(1,335)</u>	<u>406</u>	<u>8,775</u>	<u>3,711</u>
Total net position, July 1	44,848	87,487	13,422	413,186	558,943
Total net position, End of period	<u>\$ 40,713</u>	<u>\$ 86,152</u>	<u>\$ 13,828</u>	<u>\$ 421,961</u>	<u>\$ 562,654</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2022

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2022
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ 1,558	\$ 4,027	\$ 214,660	\$ 220,245
Receipts from federal government	17,321	-	-	-	17,321
Receipts from other funds	773	-	-	-	773
Other miscellaneous receipts	9,062	66	-	201	9,329
Acquisition of mortgage loans	-	(3,258)	-	(216,924)	(220,182)
Payments to suppliers	(60,278)	-	(3)	(3,170)	(63,451)
Payments to other funds	-	-	-	(773)	(773)
Payments to or for employees	(13,490)	-	-	-	(13,490)
Net cash provided (used) by operating activities	<u>(46,612)</u>	<u>(1,634)</u>	<u>4,024</u>	<u>(6,006)</u>	<u>(50,228)</u>
Cash flows from non-capital financing activities:					
Operating grants received	249,026	-	-	-	249,026
Transfers in (out)	8,209	(1,884)	(86)	(6,239)	-
Proceeds from sale of bonds	-	-	-	161,928	161,928
Operating grants paid	(270,742)	-	-	-	(270,742)
Cost of issuance paid	-	-	-	(1,243)	(1,243)
Principal payments	-	-	(4,685)	(196,380)	(201,065)
Interest paid	(15)	-	(816)	(38,863)	(39,694)
Net cash (used) by non-capital financing activities	<u>(13,522)</u>	<u>(1,884)</u>	<u>(5,587)</u>	<u>(80,797)</u>	<u>(101,790)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	13,550	1,315	80,110	94,975
Purchases of investments	-	(24,554)	(1,768)	(171,889)	(198,211)
Investment interest received	1,915	161	35	1,911	4,022
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	73	13	1,331	1,417
Net cash provided (used) by investing activities	<u>1,915</u>	<u>(10,770)</u>	<u>(405)</u>	<u>(88,537)</u>	<u>(97,797)</u>
Net decrease in cash and cash equivalents	(58,219)	(14,288)	(1,968)	(175,340)	(249,815)
Cash and cash equivalents, July 1	<u>242,661</u>	<u>35,835</u>	<u>3,910</u>	<u>333,773</u>	<u>616,179</u>
Cash and cash equivalents, End of period	<u>\$ 184,442</u>	<u>\$ 21,547</u>	<u>\$ 1,942</u>	<u>\$ 158,433</u>	<u>\$ 366,364</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2022

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 12/31/2022</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (7,321)	\$ 549	\$ 493	\$ 14,197	\$ 7,918
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	1,873	4	(22)	2,458	4,313
Mortgage interest receivable	(1)	-	26	2,923	2,948
Loans held for resale	2	-	-	-	2
Mortgage loans receivable	-	(1,799)	2,833	(63,296)	(62,262)
Due from federal government	22	-	-	-	22
Other receivables	(310)	-	-	(771)	(1,081)
Unearned service release premium	(62)	-	-	-	(62)
Interfund receivables	773	-	-	-	773
Interfund payables	-	-	-	(773)	(773)
Accounts payable	(29,042)	1	(2)	304	(28,739)
Accrued payroll / compensated absences	(20)	-	-	-	(20)
Due to primary government	(105)	-	-	-	(105)
Line of credit payable	(70)	-	-	-	(70)
Unearned revenue	(10,454)	12	-	3,186	(7,256)
Investment income / expense included as operating revenue	(1,915)	(401)	97	(965)	(3,184)
Interest expense included as operating expense	18	-	599	35,488	36,105
Issuance cost included as operating expense	-	-	-	1,243	1,243
Total adjustments	<u>(39,291)</u>	<u>(2,183)</u>	<u>3,531</u>	<u>(20,203)</u>	<u>(58,146)</u>
Net cash provided (used) by operating activities	<u>\$ (46,612)</u>	<u>\$ (1,634)</u>	<u>\$ 4,024</u>	<u>\$ (6,006)</u>	<u>\$ (50,228)</u>
Noncash investing, capital, and financing activities:					
Increase (decrease) in fair value of investments	-	139	(143)	(3,309)	(3,313)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 139</u>	<u>\$ (143)</u>	<u>\$ (3,309)</u>	<u>\$ (3,313)</u>



FINANCIAL STATEMENTS

June 30, 2023



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tennessee Housing Development Agency (THDA), a component unit of the State of Tennessee, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2023, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of the Tennessee Housing Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks; such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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 agency's internal control; accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the schedule of THDA's proportionate share of the net pension liability (asset) for the Closed State and Higher Education Employee Pension Plan within the Tennessee Consolidated Retirement System (TCRS) on page 55, the schedule of THDA's proportionate share of the net pension asset for the State and Higher Education Employee Retirement Plan within TCRS on page 56, the schedule of THDA's contributions to the Closed State and Higher Education Employee Pension Plan within TCRS on page 57, the schedule of THDA's contributions to the State and Higher Education Employee Retirement Plan within TCRS on page 58, the schedule of THDA's proportionate share of the collective total/net Other Postemployment Benefits (OPEB) liability for the Closed State Employee Group OPEB Plan on page 59, the schedule of THDA's proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan on page 60, and the schedule of THDA's contributions to the Closed State Employee Group OPEB plan on page 61 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information on pages 62 through 68 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. The information has been subjected to the auditing procedures applied in the audits 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 information 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 December 11, 2023, on our consideration of the agency'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 agency's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 11, 2023

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management’s Discussion and Analysis
June 30, 2023

This section of the Tennessee Housing Development Agency’s (THDA) annual financial statements presents management’s discussion and analysis of THDA’s financial performance for the year ended June 30, 2023, with comparative information presented for the fiscal year ended June 30, 2022. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. This section should be read in conjunction with the Independent Auditor’s Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

The mission statement of THDA is “Leading Tennessee Home by creating safe, sound, affordable housing opportunities.” THDA’s goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2023, THDA has originated over 135,000 single-family mortgage loans in its 50-year history, and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 70 of Tennessee’s 95 counties, as well as the project-based Contract Administration program for approximately 376 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, “The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency” (Section 13-23-105, *Tennessee Code Annotated*). This board meets regularly on a bimonthly basis; however, some committees may meet more often as situations dictate.

Overview of the Financial Statements

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows, as well as the notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year-end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA’s cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Annual Comprehensive Financial Report*. This report may be viewed at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Financial Highlights

Year Ended June 30, 2023

- Total assets decreased by \$37 million, or 1.01%.
- Total liabilities decreased by \$39.5 million, or 1.26%.
- Net position was \$571.4 million. This is an increase of \$12.5 million, or 2.23%, from fiscal year 2022 net position (as adjusted).
- Cash and cash equivalents decreased by \$210.2 million, or 34.1%.
- Total investments increased by \$38.0 million, or 16.66%.
- Bonds payable decreased by \$12.3 million, or .4%.
- THDA originated \$425.0 million in new loans, which is an increase of \$14.6 million, or 3.6%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2023	2022
Current assets	\$664,393	\$832,612
Capital assets	5,375	5,371
Other noncurrent assets	2,980,638	2,849,688
Total assets	3,650,406	3,687,671
Deferred outflows of resources	7,520	7,270
Current liabilities	171,330	196,300
Noncurrent liabilities	2,913,282	2,927,831
Total liabilities	3,084,612	3,124,131
Deferred inflows of resources	1,884	11,867
Investment in capital assets	5,375	5,371
Restricted net position	487,492	460,881
Unrestricted net position	78,563	92,691
Total net position	\$571,430	\$558,943

2023 to 2022

First and second mortgage loans receivable (net of allowance for forgivable second mortgages and allowance for non-performing first mortgage loans) increased by \$130 million. During fiscal year 2023, single-family mortgage loan originations increased by \$14.6 million, whereas mortgage loan payoffs decreased by \$264.4 million and mortgage loan repayments increased \$1.3 million. THDA recognized an allowance for future uncollectable forgivable second mortgages of \$43.2 million for fiscal year 2023. In addition THDA recognized an allowance for non-performing first mortgage loans of \$310 thousand.

Total liabilities decreased \$39.5 million. The decrease is primarily due to a \$12.3 million decrease of bonds payable at June 30, 2023, as compared to June 30, 2022, and a decrease of \$19.1 million of unearned revenue.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2023	2022
Operating revenues		
Mortgage interest income	\$113,186	\$108,506
Investment income	11,590	(7,796)
Other	52,830	70,435
Total operating revenues	177,606	171,145
Operating expenses		
Interest expense	74,316	70,315
Other	81,809	83,249
Total operating expenses	156,125	153,564
Operating income	21,481	17,581
Nonoperating revenues (expenses)		
Grant revenues	571,408	488,001
Payments from primary govt	1,021	215
Grant expenses	(581,423)	(495,525)
Total nonoperating revenues (expenses)	(8,994)	(7,309)
Change in net position	\$12,487	\$10,272

2023 to 2022

Total operating revenues increased \$6.5 million, primarily due to an increase in mortgage interest income of \$4.7 million. Mortgage interest income is primarily due to an increase in mortgage loans.

Total operating expenses increased \$2.6 million. This is primarily due to an increase in salaries and benefits. Salaries and benefits increased primarily due to increases in personnel activity related to additional funding and the overall labor market.

Nonoperating grant revenues increased \$84.2 million and nonoperating grant expenses increased \$85.9 million, primarily due to an increase in spending of federal grant programs. The increase in spending of federal grant programs is due to THDA being awarded new sources of funding from the federal government that are related to COVID-19 pandemic relief.

Debt Activity

Bonds outstanding as of June 30, 2023, were \$2,819,743 (expressed in thousands) which is a \$12.3 million decrease from bonds outstanding of \$2,832,029 (expressed in thousands) as of June 30, 2022. The decrease in bonds payable is primarily due to a decrease in mortgage production, which therefore lead to fewer bonds issued during fiscal year 2023. In addition, prepayments on bonds remained at a high level. During the fiscal year, THDA issued debt totaling \$300 million, with activity arising from two bond issues.

Bond Ratings

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

Debt Limits

In accordance with Section 13-23-121, *Tennessee Code Annotated*, THDA operates under a "debt ceiling" of \$4,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2023	2022	2021 and Prior	Total
Funding Sources:				
THDA	\$7,500,000	\$7,400,000	\$108,700,000	\$123,600,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	\$7,500,000	\$7,400,000	\$113,050,000	\$127,950,000
Approved Uses:				
Rural Repair Program (USDA)	\$ -	\$ -	\$6,300,000	\$6,300,000
Ramp Programs & Housing Modification	-	500,000	2,250,000	2,750,000
Emergency Repairs	2,700,000	2,700,000	32,000,000	37,400,000
Competitive Grants	3,800,000	3,700,000	54,700,000	62,200,000
Rebuild & Recover	500,000	-	5,800,000	6,300,000
Challenge Grant Program	500,000	-	1,500,000	2,000,000
Creating Homes Initiative – 2 Program	-	-	2,500,000	2,500,000
COVID-19 Supplemental	-	-	500,000	500,000
Other Grants	-	500,000	7,500,000	8,000,000
Totals	\$7,500,000	\$7,400,000	\$113,050,000	\$127,950,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed-rate mortgage product while still offering down payment assistance with the addition of one of two Great Choice Plus loan programs. Both options are second mortgages, with a 30 year term. The first is a deferred option at a 0% interest rate and a flat loan amount of \$6,000. The second is an amortizing option at the same interest rate as the first mortgage and a loan amount of 6% of the sales price.

During fiscal year 2022, the Great Choice Plus loan product was modified to a forgivable second mortgage, in which 100% of the loan amount must be repaid if the home is sold or the associated first mortgage is refinanced within the first nine years of closing. Beginning in year 10, the loan is forgiven at the rate of 20% per year. The loan is fully forgiven at the end of year 15.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. In March 2023, the Homeownership for the Brave program was re-branded and new Homeownership loans are referred to as “Homeownership for Heroes”. This special offer, provides a 0.5% rate reduction on the current interest rate for Great Choice loans. The program also was expanded to include firefighters, EMT, local and state law enforcement and paramedics. In addition to the rate reduction, Homeownership for Heroes applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan described above.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years), and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable rate mortgages, interest-only mortgages,

“buy-down” loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase “sub-prime” mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development),
- VA (Veterans Administration Guaranty Program),
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration), and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Fannie Mae or Freddie Mac. These loans must be approved through an automated underwriting system such as Desktop Underwriter or Loan Prospector with no expanded approvals. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed list of these mortgage loan products and primary mortgage loan terms may be obtained from THDA’s website at <https://thda.org/homebuyers>.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave, Homeownership for Heroes); insurer/guarantor (FHA, VA, RECD, private mortgage insurer); mortgage loan servicer; down-payment assistance; and other factors as deemed necessary.

As of June 30, 2023, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage ¹
60 – 89 Days Past Due	25,240	430	\$49,546,681	1.70%
90+ Days Past Due	25,240	892	98,748,562	3.53%
In Foreclosure	25,240	55	5,024,968	0.22%

¹ Percentage is calculated by dividing the “Number of Loans in Status” by the “Total Number of Loans Serviced.”

Economic Factors

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single-Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Trent Ridley, Chief Financial Officer, at (615) 815-2012 or via e-mail at TRidley@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 371,513
Investments (Note 2)	116,807
Receivables:	
Accounts	21,837
Interest	12,286
Loans held for resale	4,660
First and second mortgage loans	78,607
Due from federal government	58,666
Due from other state funds	17
	<u>664,393</u>
Total current assets	
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents (Note 2)	34,462
Investments (Note 2)	115,219
Investment interest receivable	421
Investments (Note 2)	34,319
First mortgage loans receivable	2,714,877
Allowance for Non-performing First Mortgage Loans	(310)
Second mortgage loans receivable	96,307
Allowance for uncollectable second mortgages	(43,223)
Other receivables (Note 1)	24,533
Unearned service release premium	719
Advance to local government	3,147
Net pension asset (Note 5)	167
Capital assets:	
Furniture and equipment	14,550
Less accumulated depreciation	(9,175)
	<u>2,986,013</u>
Total noncurrent assets	
	<u>3,650,406</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refundings	26
Deferred outflows related to pensions (Note 5)	6,305
Deferred outflows related to OPEB (Note 8)	249
Deferred outflows related to defeased bonds (Note 3)	940
	<u>7,520</u>
Total deferred outflows of resources	

LIABILITIES

Current liabilities:	
Accounts payable	35,119
Accrued payroll and related liabilities	947
Compensated absences (Note 3)	998
Due to primary government	101
Interest payable	44,054
Escrow deposits (Note 3)	18,239
Prepayments on mortgage loans	1,488
Due to federal government	4
Bonds payable (Note 3)	70,380
	<u>171,330</u>
Total current liabilities	
Noncurrent liabilities:	
Bonds payable (Note 3)	2,749,363
Compensated absences (Note 3)	1,170
Net pension liability (Note 5)	5,041
Total OPEB liability (Note 8)	1,119
Escrow deposits (Note 3)	14,016
Arbitrage rebate payable	74
Unearned revenue (Note 3)	142,499
	<u>2,913,282</u>
Total noncurrent liabilities	
Total liabilities	<u>3,084,612</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (Note 5)	541
Deferred inflows related to OPEB (Note 8)	1,343
	<u>1,884</u>
Total deferred inflows of resources	

NET POSITION

Investment in capital assets	5,375
Restricted for single family bond programs (Note 4))	463,725
Restricted for grant programs (Note 4)	20,447
Restricted for Homebuyers Revolving Loan Program (Note 4)	3,153
Restricted for net pension asset (Note 5)	167
Unrestricted (Note 4)	78,563
	<u>571,430</u>
Total net position	<u>\$ 571,430</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

OPERATING REVENUES	
Mortgage interest income	\$ 113,186
Investment income:	
Interest	6,880
Net increase in the fair value of investments	4,710
Federal grant administration fees	39,818
Fees and other income	<u>13,012</u>
Total operating revenues	<u>177,606</u>
OPERATING EXPENSES	
Salaries and benefits	26,602
Contractual services	31,672
Materials and supplies	1,502
Rentals and insurance	38
Other administrative expenses	1,194
Other program expenses	16,428
Interest expense	74,316
Issuance costs	2,495
Amortization: service release premium	33
Depreciation	<u>1,845</u>
Total operating expenses	<u>156,125</u>
Operating income	<u>21,481</u>
NONOPERATING REVENUES (EXPENSES)	
Federal grants revenue	570,549
Other grants revenue	859
Payment from primary government (Note 9)	1,021
Federal grants expenses	(571,553)
Local grants expenses	<u>(9,870)</u>
Total nonoperating revenues (expenses)	<u>(8,994)</u>
Change in net position	<u>12,487</u>
Total net position, July 1	558,943
Total net position, June 30	<u>\$ 571,430</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 411,630
Receipts from federal government	40,021
Other miscellaneous receipts	13,012
Acquisition of mortgage loans	(424,977)
Payments to suppliers	(89,476)
Payments to or for employees	<u>(29,064)</u>
Net cash used by operating activities	<u>(78,854)</u>
Cash flows from non-capital financing activities:	
Operating grants received	566,776
Payment from primary government	1,021
Proceeds from sale of bonds	305,757
Operating grants paid	(587,031)
Cost of issuance paid	(2,495)
Principal payments	(304,290)
Interest paid	<u>(82,608)</u>
Net cash used for non-capital financing activities	<u>(102,870)</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(1,849)</u>
Net cash used for capital and related financing activities	<u>(1,849)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	282,099
Purchases of investments	(317,966)
Investment interest received	6,700
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	<u>2,536</u>
Net cash used for investing activities	<u>(26,631)</u>
Net decrease in cash and cash equivalents	(210,204)
Cash and cash equivalents, July 1	<u>616,179</u>
Cash and cash equivalents, June 30	<u>\$ 405,975</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

Reconciliation of operating income to	
net cash used by operating activities:	
Operating income	\$ <u>21,481</u>
Adjustments to reconcile operating income to	
net cash used by operating activities:	
Depreciation	1,845
Changes in assets and liabilities:	
Accounts receivable	(3,438)
Mortgage interest receivable	4,868
Other receivables	(1,329)
Unearned service release premium	(291)
Pension asset	2,968
Deferred pension outflows	(261)
Deferred OPEB outflows	(41)
Loans held for resale	(3,220)
Mortgage loans receivable	(129,708)
Due from federal government	57
Accounts payable	(11,901)
Accrued payroll / compensated absences	343
Due to primary government	(4)
Unearned revenue	(19,115)
Line of credit payable	(1,395)
Arbitrage rebate liability	74
Pension liability	5,041
OPEB liability	(66)
Deferred pension inflows	(9,715)
Deferred OPEB inflows	(268)
Investment income included as operating revenue	(11,590)
Interest expense included as operating expense	74,316
Issuance cost included as operating expense	<u>2,495</u>
Total adjustments	<u>(100,335)</u>
Net cash used by operating activities	\$ <u><u>(78,854)</u></u>
Noncash investing, capital, and financing activities:	
Decrease in fair value of investments	\$ <u>(2,526)</u>
Total noncash investing, capital, and financing activities	\$ <u><u>(2,526)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in Section 13-23-101 et seq. *Tennessee Code Annotated*. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state, and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, *Code of Federal Regulations*, Part 964, Subpart E. Section 13-23-101 et seq., *Tennessee Code Annotated*, was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Annual Comprehensive Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency

Notes to the Financial Statements (Continued)

follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, individual cost of \$5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

<u>Description</u>	<u>Estimated Life</u>
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds; Bond Reserve Funds; the Tax and Insurance Holding/Escrow account; Funds on deposit for, or on behalf of, borrower's related to Loan Servicing; and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Notes to the Financial Statements (Continued)

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Other Receivables

Amounts reported as Other Receivables are for amounts related to acquiring servicing rights from THDA's partners. Beginning in fiscal year 2018, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans, and in association with typical industry practices, THDA paid 1% of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In fiscal year 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers, which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Other Receivables, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S federal government, public housing bonds secured by contracts with the U.S federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Mortgages

Mortgages are carried at their original amount less collected principal.

Notes to the Financial Statements (Continued)

Secondary Market Mortgage Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a “seller/servicer.” To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency’s primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding. The primary non-operating revenue is federal grants revenue. The primary non-operating expense is federal grants expense.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within 10 years of the origination date. Beginning on the 11th anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course of time, or not recovered due to foreclosure, an allowance account has been established for those loans that may enter the forgivable period or for loss due to foreclosure. During the fiscal year 2020, the agency determined that an amount of second mortgage down payment assistance loans are not expected to be recovered due to forgiveness or foreclosure. This amount was recorded as an allowance.

Notes to the Financial Statements (Continued)

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

At June 30, 2023, the bank balance was \$41,577,023.40. This amount includes \$29,134,797.04; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans; \$460,393.15 which is held in various accounts to pay taxes, insurance and mortgage insurance premiums on the

Notes to the Financial Statements (Continued)

mortgagor's behalf related to Freddie Mac serviced loans and \$128,320.30 held in various accounts to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Ginnie Mae Mortgage Backed Securities serviced loans. All bank balances at June 30, 2023, were insured.

Investments

As stated in the agency's investment policy, the "prudent person rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within 5 years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Notes to the Financial Statements (Continued)

June 30, 2023

Investment Type	Fair Value (in thousands)	Effective Duration Unless Otherwise Noted (Years)
U.S. Agency Coupon	\$140,839	0.978
U.S. Treasury Coupon	5,530	0.123
U.S. Agency Discount	186,699	0.037
Ginnie Mae Mortgage Backed Securities*	25,157	0.722
Total	<u><u>\$358,225</u></u>	0.927

* = Modified Duration was used in the place of Effective Duration on Pass Through investments where average life was used instead of PSA speed

Fair Value Measurements – THDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2023, (expressed in thousands):

Assets by Fair Value Level	June 30, 2023			
	Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	\$140,839	\$ -	\$140,839	\$ -
U.S. Treasury Coupon	5,530	5,530	-	-
U.S. Agency Discount	186,699	-	186,699	-
Ginnie Mae Mortgage- Backed Securities	25,157	-	25,157	-
Total debt securities	<u><u>\$358,225</u></u>	<u><u>\$ 5,530</u></u>	<u><u>\$352,695</u></u>	<u><u>\$ -</u></u>

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency's permitted investments. Credit quality ratings for the agency's investments as of June 30,

Notes to the Financial Statements (Continued)

2023, are included in the schedules below. Securities are rated using Nationally Recognized Statistical Rating Organizations (NRSRO) and are presented below (expressed in thousands).

Investment Type	June 30, 2023				
	Fair Value	U.S. Treasury ¹	AAA	AA+	Not Rated ²
U.S. Agency Coupon	\$140,839	\$ -	\$ -	\$ 119,215	\$21,624
U.S. Treasury Coupon	5,530	5,530	-	-	-
U.S. Agency Discount	186,699	-	-	15,991	170,708
Ginnie Mae Mortgage- Backed Securities	25,157	-	-	-	25,157
Total	\$358,225	\$5,530	\$ -	\$ 135,206	\$217,489

In addition to these investments, the agency has \$125,358,085 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

Issuer	<i>(in thousands)</i>	Portfolio
Federal Home Loan Bank	\$ 273,712	76.41
Federal National Mortgage Admin	\$ 46,291	12.92
Ginnie Mae Mortgage Backed Securities	\$ 25,157	7.02

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

¹ This column includes obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

² This column includes securities that are implicitly guaranteed by the U.S. government, and GNMA MBS securities explicitly guaranteed by the U.S. government. Neither type are rated by an NRSRO.

Notes to the Financial Statements (Continued)

Note 3. Liabilities

Bonds Issued and Outstanding

Housing Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2023 (Thousands)
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	39,595
Total Housing Finance Program Bonds		\$150,000		\$39,595
Plus: Unamortized Bond Premiums				623
Net Housing Finance Program Bonds				\$40,218

Residential Finance Program

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2023 (Thousands)
2013-1	1/1/2014 – 7/1/2043	\$ 215,905	0.40 to 4.00	\$ 28,310
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	24,375
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	31,965
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	41,945
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	45,580
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	54,370
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	49,270
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	50,385
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	12,390
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	28,650
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	68,955
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	50,115
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	54,360
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	48,675
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	83,935
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	85,490
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	124,535
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	106,735
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	129,870
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	102,020
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	138,060
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	140,985
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	49,850
2020-3	1/1/2021 – 7/1/2050	145,000	0.80 to 3.50	116,515
2020-4	7/1/2021 – 1/1/2051	145,000	1.50 to 3.00	123,140
2021-1	1/1/2022 – 7/1/2051	149,990	0.20 to 3.00	136,485
2021-2	7/1/2022 – 1/1/2052	99,990	0.13 to 3.00	95,315
2021-3	7/1/2022 – 1/1/2052	170,000	0.20 to 3.00	78,620
2022-1	1/1/2023 – 7/1/2052	175,000	1.25 to 5.00	171,150
2022-2	1/1/2023 – 1/1/2053	149,990	1.75 to 5.00	148,405

Notes to the Financial Statements (Continued)

2022-3	7/1/2023 – 1/1/2053	160,000	3.00 to 5.50	159,990
2023-1	1/1/2024 – 7/1/2054	140,000	3.80 to 5.756	140,000

Total Residential Finance Program Bonds	\$4,752,275	\$2,720,445
Plus: Unamortized Bond Premiums		59,394
Subtract: Unamortized Bond Discount		(314)
Net Residential Finance Program Bonds		\$2,779,525
 Net Total All Bonds		\$2,819,743

Debt Service Requirements

Debt service requirements to maturity at June 30, 2023, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2024	61,190	90,228	151,418
2025	108,720	90,535	199,255
2026	110,205	87,932	198,137
2027	110,675	85,071	195,746
2028	110,845	82,053	192,898
2029 – 2033	538,425	360,148	898,573
2034 – 2038	448,680	282,306	730,986
2039 – 2043	486,205	201,378	687,583
2044 – 2048	481,125	113,895	595,020
2049 – 2053	295,320	30,681	326,001
2054 – 2055	8,650	356	9,006
 Total	\$2,760,040	\$1,424,583	\$4,184,623

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$2,760,040 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of \$2,760,040 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2023 is \$75,000,000.

Redemption of Bonds and Notes

During the year ended June 30, 2023, bonds were retired at par before maturity in the Housing Finance Program in the amount of \$6,850,000 and in the Residential Finance Program in the amount of \$294,120,000. The respective carrying values of the bonds were \$7,053,373 and

Notes to the Financial Statements (Continued)

\$304,634,551. This resulted in revenue to the Housing Finance Program of \$203,373 and to the Residential Finance Program of \$10,514,551.

On September 29, 2022 the agency issued \$160,000,000 in Residential Finance Program Bonds, Issue 2022-3.

On March 29, 2023 and supplemented on April 18, 2023, the agency issued \$140,000,000 in Residential Finance Program Bonds, Issue 2023-1.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2023 (expressed in thousands).

Long Term Liability	Beginning Balance July 1, 2022	Additions	Reductions	Ending Balance June 30, 2023	Amounts Due Within One Year³
Bonds Payable	\$2,764,330	\$300,000	(\$304,290)	\$2,760,040	\$70,380
Plus: Unamortized Bond Premiums	68,041	5,754	(13,778)	60,017	-
Less: Unamortized Bond Discounts	(342)	(0)	28	(314)	-
Compensated Absences	1,916	1,549	(1,297)	2,168	998
Escrow Deposits	32,848	63,080	(63,673)	32,255	18,239
Unearned Revenue	161,614	5,784	(24,900)	142,498	-
Arbitrage Rebate Payable	-	74	(-)	74	-
Total	\$3,028,407	\$376,241	(\$407,910)	\$2,996,738	\$89,617

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

³Amounts due within one year include management authorized bond refundings at June 30.

Notes to the Financial Statements (Continued)

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death

Notes to the Financial Statements (Continued)

benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. In fiscal year 2023, the state made a one-time direct contribution of \$350 million to the plan. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2023, to the Closed State and Higher Education Employee Pension Plan, including its share of the one-time direct contribution mentioned, were \$3,351,325.03, which is 38.57% of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2023, THDA reported a liability of \$5,041,128.15 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. THDA's proportion of the net pension liability was based on the proportion of THDA's contributions during the year ended June 30, 2022, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2022, measurement date, THDA's proportion was 0.423141%. The proportion measured as of June 30, 2021, was 0.419379%.

Pension expense – For the year ended June 30, 2023, THDA recognized a pension expense of \$1,480,782. Allocated pension expense was \$1,556,215.66 before being decreased by \$75,433.17 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2023, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Notes to the Financial Statements (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 975	\$ 300
Net difference between projected and actual earnings on pension plan investments	72	-
Change in proportionate share of net asset or liability	25	77
Changes in assumptions	1,368	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2022	3,351	-
Total	\$5,791	\$377

Deferred outflows of resources, resulting from THDA's employer contributions of \$3,351 thousand subsequent to the measurement date will be recognized as reduction to net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: (expressed in thousands):

Year Ended June 30:	
2024	1,032
2025	66
2026	(730)
2027	1,694
2028	-
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As

Notes to the Financial Statements (Continued)

a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blend of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what THDA’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency's proportionate share of the net pension liability (asset)	\$14,787,474	\$5,041,128	\$(3,142,982)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2023, THDA reported a payable of \$74,794 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2023.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1% multiplied by member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The

Notes to the Financial Statements (Continued)

service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2023, to the State and Higher Education Employee Retirement Plan were \$283,368, which is 2.47% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2023, THDA reported an asset of \$167,357 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA's proportion of the net pension asset was based on a projection of THDA's contributions during the year ended June 30, 2022, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2022, measurement date, THDA's proportion was 0.671072%. The proportion measured as of June 30, 2021, was 0.671032%.

Pension expense – For the year ended June 30, 2023, THDA recognized a pension expense of \$185,915. Allocated pension expense was \$204,819 before being decreased by \$18,904 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2023, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

Notes to the Financial Statements (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	31	\$57
Net difference between projected and actual earnings on pension plan investments	51	-
Changes in proportion of share of net asset or liability	8	106
Changes in assumptions	140	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2022	284	-
Total	\$514	\$163

Deferred outflows of resources, resulting from THDA's employer contributions of \$283,368 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year Ended June 30:</u>	
2024	(5)
2025	(4)
2026	(13)
2027	74
2028	(3)
Thereafter	19

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As

Notes to the Financial Statements (Continued)

a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blend of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what THDA’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency's proportionate share of the net pension liability (asset)	\$682,701	\$(167,357)	\$(805,920)

Pension plan fiduciary net position – Detailed information about the plan’s fiduciary net position is available separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2023, THDA reported a payable of \$12,395 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2023.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2022, for both defined benefit pension plans was \$1,666,697.

Note 6. Deferred Compensation Plans

The Tennessee Housing Development Agency, through the State of Tennessee, offers employees two deferred compensation plans, one established pursuant to Internal Revenue Code (IRC), Section 457, and the other pursuant to IRC, Section 401(k). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 457 plan is voluntary for employees. The Tennessee Housing Development Agency provides up to a \$100 monthly employer match for employees who participate in the state’s 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state’s 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state’s 401(k) plan and contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

Notes to the Financial Statements (Continued)

The Tennessee Housing Development Agency recognized a pension expense of \$857,747 for employer contributions.

The Tennessee Housing Development Agency recognized a pension payable of \$37,778 for employer contributions.

Note 7. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; cyber liability losses; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state self-insures against property and cyber liability losses through the RMF and the State of Tennessee Captive Insurance Company (TCIC). The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees above the limits of the RMF and TCIC. For property coverage, the deductible for an individual state agency is the first \$25,000 to \$75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses of \$2.5 million per occurrence for all perils. The TCIC is responsible for property losses in excess of the RMF limits up to an annual aggregate of \$25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of \$600 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in the New Madrid Zone. For cyber coverage, the RMF is responsible for \$1.5 million per occurrence. The TCIC is responsible for losses in excess of the RMF limits up to an aggregate of \$10 million. The amounts of settlements have not exceeded insurance coverage in any of the three past fiscal years.

The agency participates in the Risk Management Fund, except for RMF's cyber liability coverage. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims

Notes to the Financial Statements (Continued)

liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2023, is presented in the *Annual Comprehensive Financial Report (ACFR)*. The ACFR is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Section 9-8-101 et seq, *Tennessee Code Annotated*. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in, Section 50-6-101 et seq, *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund. At June 30, 2023, the Risk Management Fund held \$254 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 8. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the primary government, the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 201, *Tennessee Code Annotated (TCA)*. All retirees and disabled employees of

Notes to the Financial Statements (Continued)

the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred provider organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Contributions - Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Part 201, *Tennessee Code Annotated* establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2023 was \$115.7 million. The Tennessee Housing Development Agency share of the ADC was \$250 thousand. During the fiscal year the Tennessee Housing Development Agency contributed \$127 thousand to the OPEB Trust. The state general assembly has the authority to change the contribution requirements for the employers participating in the EGOP. The primary government made payments on behalf of Tennessee Housing Development Agency in the amount of \$1.009 million.

Net OPEB Liability

Proportionate share - The Tennessee Housing Development Agency's proportion and proportionate share of the collective net OPEB liability, related to the EGOP, is 0.158027% and \$1.1 million, respectively. The proportion existing at the prior measurement date was 0.166138%. This resulted in a change in proportion of (0.008111%) between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2022, and measurement date of June 30, 2022.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	8.37% for 2023, decreasing annually to an ultimate rate of 4.5% for 2030 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Long-term Expected Rate of Return- The long-term expected rate of return of 6% on OPEB Trust investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Title 8, Chapter 27, Part 802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The

Notes to the Financial Statements (Continued)

OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Allocation Range</u>		<u>Target Allocation</u>
	<u>Minimum</u>	<u>Maximum</u>	
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	4.89%
Developed market international equity	5.38%
Emerging market international equity	5.97%
Cash (government)	1.17%
Private equity and strategic lending	5.18%
U.S. fixed income	2.74%
Real estate	4.79%

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. This was the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Notes to the Financial Statements (Continued)

Changes in assumptions – The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. These changes decreased the liability by 2.57%.

Changes in benefit terms – Tennessee highway patrol members who retire with at least 25 years of service shall receive 80% of the schedule premium, regardless of the date of hire. Also, any commissioned member of the Tennessee Wildlife Resources Agency or Tennessee Bureau of Investigation who retires with at least 25 years of service shall receive 80% of the schedule premium.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5%) or 1-percentage-point higher (7%) than the current discount rate (expressed in thousands).

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$ 1,258	\$ 1,119	\$ 987

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (7.37% decreasing to 3.5%) or 1-percentage-point higher (9.37% decreasing to 5.5%) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost Trend Rates		
	1% Decrease (7.37% decreasing to 3.50%)	(8.37% decreasing to 4.50%)	1% Increase (9.37% decreasing to 5.50%)
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$ 931	\$ 1,119	\$ 1,334

OPEB Expense – For the fiscal year ended June 30, 2023, the Tennessee Housing Development Agency recognized negative OPEB expense of \$248 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2023, Tennessee Housing Development Agency reported deferred outflows of resources and

Notes to the Financial Statements (Continued)

deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 103
Changes of assumptions	56	246
Net difference between actual and projected investment earnings	66	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	993
Contributions subsequent to the measurement date	127	
Total	\$ 249	\$ 1,343

The amounts shown above for “contributions subsequent to the measurement date” will be recognized as a reduction to the collective net OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows (expressed in thousands):

For the year ended June 30:

2024	\$ (381)
2025	(382)
2026	(369)
2027	(61)
2028	(28)
Thereafter	-

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan

Notes to the Financial Statements (Continued)

is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government) as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University, and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Group Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Title 8, Chapter 27, Parts 201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid \$12,800 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 70, *Tennessee Code Annotated*, determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the Closed TN OPEB Plan liability associated with the Tennessee Housing Development Agency's employees. The primary government's proportion and proportionate share of the total OPEB liability associated with the Tennessee Housing Development Agency was \$279 thousand. At the June 30, 2022, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.1854%. This represents a change of 0.0126% from the prior proportion of 0.1980%. The proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was

Notes to the Financial Statements (Continued)

determined by an actuarial valuation with a valuation date of June 30, 2022, and a measurement date of June 30, 2022.

Actuarial assumptions – The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 3.54%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index.

Changes in assumptions - The discount rate was changed from 2.16% to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability by 14.6%.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the Tennessee Housing Development Agency's related collective total OPEB liability, as well as what the

Notes to the Financial Statements (Continued)

proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$ 318	\$ 279	\$ 246

OPEB expense – For the fiscal year ended June 30, 2023, the primary government recognized negative OPEB expense of \$2 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2023 was \$250 thousand, which consisted of negative OPEB expense of \$248 thousand for the EGOP and negative \$2 thousand paid by the primary government for the TNP.

Note 9. On-Behalf Payments

During the year ended June 30, 2023, the State of Tennessee made payments of \$12,800 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of \$1,008,616 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 8. The plan is reported in the *Tennessee Annual Comprehensive Financial Report*.

Note 10. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, \$15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the agency to the State General Fund. The \$43,000,000 transferred from the agency came from the following resources of the agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of \$35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Notes to the Financial Statements (Continued)

Note 11. Subsequent Events

Residential Finance Program Bonds, Issue 2023-3, were authorized by the board of directors on July 25, 2023, not to exceed \$325,000,000. On September 26, 2023, the board of directors approved an Amendment to bond issue 2023-3 that increased the authorized maximum to \$360,000,000. The sale of the bonds will occur no later than November 30, 2023

Residential Finance Program Bonds, Issue 2023-2, were sold on July 25, 2023. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (<i>Percent</i>)
2023-2	7/1/2024 – 1/1/2054	\$235,000,000	3.20 – 6.00

Residential Finance Program Bonds, Issue 2023-3, were sold on November 8, 2023. The bond maturities are as follows:

Series	Maturity Range	Issued Amount	Interest Rate (<i>Percent</i>)
2023-3	7/1/2024 – 1/1/2054	\$360,000,000	3.90 – 6.534

Residential Finance Program Bonds, Issue 2024-1, were authorized by the board of directors on November 14, 2023 not to exceed \$350,000,000. The sale of the bonds will occur no later than May 31, 2024.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Liability (Asset)	THDA's Proportionate Share of the Net Pension Liability (Asset)	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.423141%	\$5,041	\$8,826	57.12%	93.80%
2022	0.419379%	(2,566)	8,852	(28.99%)	103.30%
2021	0.434725%	7,122	9,623	74.01%	90.58%
2020	0.445278%	6,288	10,040	62.63%	91.67%
2019	0.433148%	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%
2015	0.429581%	2,964	11,601	25.55%	95.11%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportionate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.671072%	(\$167)	\$9,790	(1.71%)	104.81%
2022	0.671032%	569	8,496	6.69%	121.71%
2021	0.653018%	230	7,475	3.08%	112.90%
2020	0.628303%	261	5,893	4.42%	122.36%
2019	0.198493%	77	4,410	1.74%	132.39%
2018	0.170803%	35	3,068	1.15%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.457171%	13	498	2.60%	142.55%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2023	\$1,898	\$3,351	(\$1,454)	\$8,687	38.58%
2022	1,809	2,867	(1,058)	8,826	32.49%
2021	1,791	1,791	-	8,852	20.23%
2020	1,892	1,892	-	9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%
2015	1,652	1,652	-	10,994	15.03%
2014	1,744	1,744	-	11,601	15.03%
2013	1,693	1,693	-	11,264	15.03%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2023	\$283	\$283	-	\$11,479	2.47%
2022	182	182	-	9,790	1.86%
2021	153	153	-	8,496	1.80%
2020	129	129	-	7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.81%
2015	19	19	-	498	3.82%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total/net OPEB liability	Employer proportionate share of the collective total/net OPEB liability	Covered- employee payroll	Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	OPEB plan fiduciary net position as a percentage of the total OPEB liability
2023	0.158027%	\$1,119	\$8,782	12.74%	39.00%
2022	0.166138%	1,185	9,229	12.84%	39.00%
2021	0.165964%	1,389	9,903	14.03%	25.20%
2020	0.173646%	1,653	8,999	18.37%	18.00%
2019	0.241928%	3,351	9,720	34.47%	-
2018	0.266480%	3,578	10,046	35.62%	-

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6 percent to 6.0 percent. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total OPEB liability	Primary government proportionate share of the collective total OPEB liability related to THDA	Collective total OPEB liability	Covered-employee payroll
2023	0.00%	\$279	\$279	\$9,625
2022	0.00%	352	352	10,020
2021	0.00%	436	436	10,457
2020	0.00%	345	345	9,529
2019	0.00%	311	311	10,005
2018	0.00%	339	339	10,046

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Change of assumptions: In 2023, the discount rate changed from 2.16% to 3.54%.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2023	\$250	\$127	\$123	\$8,690	1.46%
2022	290	130	160	8,782	1.48%
2021	362	139	223	9,229	1.51%
2020	415	142	273	9,903	1.43%
2019	373	209	164	8,999	2.32%

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

This schedule is intended to display 10 years of information. Additional years will be displayed as they become available.

**TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2023
(Expressed in Thousands)**

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 158,501	\$ 29,431	\$ 882	\$ 182,699	\$ 371,513
Investments	-	1,055	1,660	114,092	116,807
Receivables:					
Accounts	11,770	128	83	9,856	21,837
Interest	-	2	255	12,029	12,286
Loans held for resale	-	4,660	-	-	4,660
First and second mortgage loans	-	2,410	1,824	74,373	78,607
Due from federal government	58,666	-	-	-	58,666
Due from other state funds	17	-	-	-	17
Due from other funds	-	-	-	35,435	35,435
Total current assets	<u>228,954</u>	<u>37,686</u>	<u>4,704</u>	<u>428,484</u>	<u>699,828</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	30,358	-	17	4,087	34,462
Investments	-	-	6,165	109,054	115,219
Investment Interest receivable	-	-	15	406	421
Investments	-	1,143	-	33,176	34,319
First mortgage loans receivable	5	46,645	45,142	2,623,085	2,714,877
Allowance for Non-performing 1st Mortgage Loans	-	(43)	(6)	(261)	(310)
Second mortgage loans receivable	-	-	-	96,307	96,307
Allowance for uncollectable second mortgages	-	-	-	(43,223)	(43,223)
Other receivables	6,163	-	-	18,370	24,533
Unearned service release premium	719	-	-	-	719
Advance to local government	3,147	-	-	-	3,147
Net pension asset	167	-	-	-	167
Capital assets:					
Furniture and equipment	14,550	-	-	-	14,550
Less accumulated depreciation	(9,175)	-	-	-	(9,175)
Total noncurrent assets	<u>45,934</u>	<u>47,745</u>	<u>51,333</u>	<u>2,841,001</u>	<u>2,986,013</u>
Total assets	<u>274,888</u>	<u>85,431</u>	<u>56,037</u>	<u>3,269,485</u>	<u>3,685,841</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	26	26
Deferred outflows related to pensions	6,305	-	-	-	6,305
Deferred outflows related to OPEB	249	-	-	-	249
Deferred outflows related to defeased bonds	-	-	-	940	940
Total deferred outflows of resources	<u>6,554</u>	<u>-</u>	<u>-</u>	<u>966</u>	<u>7,520</u>
LIABILITIES					
Current liabilities:					
Accounts payable	34,982	12	3	122	35,119
Accrued payroll and related liabilities	947	-	-	-	947
Compensated absences	998	-	-	-	998
Due to primary government	101	-	-	-	101
Interest payable	-	-	673	43,381	44,054
Escrow deposits	18,239	-	-	-	18,239
Prepayments on mortgage loans	-	-	25	1,463	1,488
Due to federal government	4	-	-	-	4
Due to other funds	35,435	-	-	-	35,435
Bonds payable	-	-	2,360	68,020	70,380
Total current liabilities	<u>90,706</u>	<u>12</u>	<u>3,061</u>	<u>112,986</u>	<u>206,765</u>
Noncurrent liabilities:					
Bonds payable	-	-	37,858	2,711,505	2,749,363
Compensated absences	1,170	-	-	-	1,170
Net pension liability	5,041	-	-	-	5,041
Total OPEB liability	1,119	-	-	-	1,119
Escrow deposits	13,964	48	-	4	14,016
Arbitrage rebate payable	-	-	-	74	74
Unearned revenue	130,473	3,083	-	8,943	142,499
Total noncurrent liabilities	<u>151,767</u>	<u>3,131</u>	<u>37,858</u>	<u>2,720,526</u>	<u>2,913,282</u>
Total liabilities	<u>242,473</u>	<u>3,143</u>	<u>40,919</u>	<u>2,833,512</u>	<u>3,120,047</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	541	-	-	-	541
Deferred inflows related to OPEB	1,343	-	-	-	1,343
Total deferred inflows of resources	<u>1,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,884</u>
NET POSITION					
Investment in capital assets	5,375	-	-	-	5,375
Restricted for single family bond programs	-	11,668	15,118	436,939	463,725
Restricted for grant programs	-	20,447	-	-	20,447
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	3,153
Restricted for net pension asset	167	-	-	-	167
Unrestricted	28,390	50,173	-	-	78,563
Total net position	<u>\$ 37,085</u>	<u>\$ 82,288</u>	<u>\$ 15,118</u>	<u>\$ 436,939</u>	<u>\$ 571,430</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES					
Mortgage interest income	\$ 67	\$ 147	\$ 2,322	\$ 110,650	\$ 113,186
Investment income:					
Interest	918	472	81	5,409	6,880
Net increase (decrease) in the fair value of investments	-	627	(47)	4,130	4,710
Federal grant administration fees	39,818	-	-	-	39,818
Fees and other income	12,819	187	-	6	13,012
Total operating revenues	<u>53,622</u>	<u>1,433</u>	<u>2,356</u>	<u>120,195</u>	<u>177,606</u>
OPERATING EXPENSES					
Salaries and benefits	26,602	-	-	-	26,602
Contractual services	31,652	-	-	20	31,672
Materials and supplies	1,502	-	-	-	1,502
Rentals and insurance	38	-	-	-	38
Other administrative expenses	1,194	-	-	-	1,194
Other program expenses	9,360	63	14	6,991	16,428
Interest expense	48	-	1,190	73,078	74,316
Issuance costs	-	-	-	2,495	2,495
Amortization: service release premium	33	-	-	-	33
Depreciation	1,845	-	-	-	1,845
Total operating expenses	<u>72,274</u>	<u>63</u>	<u>1,204</u>	<u>82,584</u>	<u>156,125</u>
Operating income (loss)	<u>(18,652)</u>	<u>1,370</u>	<u>1,152</u>	<u>37,611</u>	<u>21,481</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	570,549	-	-	-	570,549
Other grant revenue	859	-	-	-	859
Payment from primary government	1,021	-	-	-	1,021
Federal grants expenses	(571,553)	-	-	-	(571,553)
Local grants expenses	(9,870)	-	-	-	(9,870)
Total nonoperating revenues (expenses)	<u>(8,994)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,994)</u>
Income (loss) before transfers	<u>(27,646)</u>	<u>1,370</u>	<u>1,152</u>	<u>37,611</u>	<u>12,487</u>
Transfers (to) other funds	-	(6,569)	-	(13,858)	(20,427)
Transfers from other funds	19,883	-	544	-	20,427
Change in net position	<u>(7,763)</u>	<u>(5,199)</u>	<u>1,696</u>	<u>23,753</u>	<u>12,487</u>
Total net position, July 1	44,848	87,487	13,422	413,186	558,943
Total net position, June 30	<u>\$ 37,085</u>	<u>\$ 82,288</u>	<u>\$ 15,118</u>	<u>\$ 436,939</u>	<u>\$ 571,430</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ -	\$ 6,393	\$ 405,237	\$ 411,630
Receipts from federal government	39,875	-	-	146	40,021
Receipts from other funds	756	-	-	-	756
Other miscellaneous receipts	12,819	187	-	6	13,012
Acquisition of mortgage loans	-	(4,154)	-	(420,823)	(424,977)
Payments to suppliers	(77,857)	(1,559)	(12)	(10,048)	(89,476)
Payments to federal government	-	-	-	-	-
Payments to other funds	-	-	-	(756)	(756)
Payments to or for employees	(29,064)	-	-	-	(29,064)
Net cash provided (used) by operating activities	<u>(53,471)</u>	<u>(5,526)</u>	<u>6,381</u>	<u>(26,238)</u>	<u>(78,854)</u>
Cash flows from non-capital financing activities:					
Operating grants received	566,776	-	-	-	566,776
Payment from primary government	1,021	-	-	-	1,021
Transfers in (out)	19,883	(6,569)	544	(13,858)	-
Proceeds from sale of bonds	-	-	-	305,757	305,757
Operating grants paid	(587,031)	-	-	-	(587,031)
Cost of issuance paid	-	-	-	(2,495)	(2,495)
Principal payments	-	-	(6,850)	(297,440)	(304,290)
Interest paid	(49)	-	(1,543)	(81,016)	(82,608)
Net cash provided (used) by non-capital financing activities	<u>600</u>	<u>(6,569)</u>	<u>(7,849)</u>	<u>(89,052)</u>	<u>(102,870)</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(1,849)	-	-	-	(1,849)
Net cash used for capital and related financing activities	<u>(1,849)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,849)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	38,527	3,340	275,470	317,337
Purchases of investments	-	(33,452)	(4,977)	(314,775)	(353,204)
Investment interest received	918	470	80	5,232	6,700
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	146	14	2,376	2,536
Net cash provided (used) by investing activities	<u>918</u>	<u>5,691</u>	<u>(1,543)</u>	<u>(31,697)</u>	<u>(26,631)</u>
Net decrease in cash and cash equivalents	(53,802)	(6,404)	(3,011)	(146,987)	(210,204)
Cash and cash equivalents, July 1	<u>242,661</u>	<u>35,835</u>	<u>3,910</u>	<u>333,773</u>	<u>616,179</u>
Cash and cash equivalents, June 30	<u>\$ 188,859</u>	<u>\$ 29,431</u>	<u>\$ 899</u>	<u>\$ 186,786</u>	<u>\$ 405,975</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2023
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (18,652)	\$ 1,370	\$ 1,152	\$ 37,611	\$ 21,481
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,845	-	-	-	1,845
Changes in assets and liabilities:					
Accounts receivable	713	(116)	(33)	(4,002)	(3,438)
Mortgage interest receivable	4	-	73	4,791	4,868
Other receivables	1,646	-	-	(2,975)	(1,329)
Unearned service release premium	(291)	-	-	-	(291)
Pension asset	2,968	-	-	-	2,968
Deferred pension outflows	(261)	-	-	-	(261)
Deferred OPEB outflows	(41)	-	-	-	(41)
Loans held for resale	1,440	(4,660)	-	-	(3,220)
Mortgage loans receivable	3	(1,043)	4,033	(132,701)	(129,708)
Due from federal government	57	-	-	-	57
Interfund receivables	756	-	-	-	756
Interfund payables	-	-	-	(756)	(756)
Accounts payable	(12,239)	2	-	336	(11,901)
Accrued payroll / compensated absences	343	-	-	-	343
Due to primary government	(4)	-	-	-	(4)
Unearned revenue	(24,485)	20	-	5,350	(19,115)
Line of credit payable	(1,395)	-	-	-	(1,395)
Arbitrage rebate liability	-	-	-	74	74
Pension liability	5,041	-	-	-	5,041
OPEB liability	(66)	-	-	-	(66)
Deferred pension inflows	(9,715)	-	-	-	(9,715)
Deferred OPEB inflows	(268)	-	-	-	(268)
Investment income included as operating revenue	(918)	(1,099)	(34)	(9,539)	(11,590)
Interest expense included as operating expense	48	-	1,190	73,078	74,316
Issuance cost included as operating expense	-	-	-	2,495	2,495
Total adjustments	<u>(34,819)</u>	<u>(6,896)</u>	<u>5,229</u>	<u>(63,849)</u>	<u>(100,335)</u>
Net cash provided (used) by operating activities	<u>\$ (53,471)</u>	<u>\$ (5,526)</u>	<u>\$ 6,381</u>	<u>\$ (26,238)</u>	<u>\$ (78,854)</u>
Noncash investing, capital, and financing activities:					
Decrease in fair value of investments	\$ -	\$ (9)	\$ (74)	\$ (2,443)	\$ (2,526)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ (9)</u>	<u>\$ (74)</u>	<u>\$ (2,443)</u>	<u>\$ (2,526)</u>

**TENNESSEE HOUSING DEVELOPMENT AGENCY
COMPUTATION OF ADJUSTED NET WORTH PURSUANT TO GNMA REQUIREMENTS
AS OF JUNE 30, 2023**

A. Adjusted net worth calculation:

Stockholder's equity per statement of financial condition at end of reporting period			\$ <u>571,430,000</u>
Less:			
Itemized unacceptable assets			
1. Pledged to SF Bond Resolutions	\$	<u>463,725,000</u>	
2. Restricted for Grant Program	\$	<u>20,447,000</u>	
3. Other Restricted Assets	\$	<u>3,320,000</u>	
Total unacceptable assets			\$ <u>487,492,000</u>
Adjusted net worth			\$ <u>83,938,000</u>

B. Required net worth calculation:

Unpaid principal balance (UPB) of securities outstanding			
		UPB in \$	# of pools
Single family	\$	<u>22,256,000</u>	<u>5</u>
Multifamily	\$	<u> </u>	<u> </u>
HMBS	\$	<u> </u>	<u> </u>
MH	\$	<u> </u>	<u> </u>
		Total UPB	\$ <u>22,256,000</u>
Plus:			
Outstanding balance of available commitment authority and pools funded			
Single family	\$	<u>57,713,000</u>	
Multifamily	\$	<u> </u>	
HMBS	\$	<u> </u>	
MH	\$	<u> </u>	
		Total	\$ <u>57,713,000</u>
Total outstanding portfolio, commitment authority, and pools funded			\$ <u>79,969,000</u>
Required net worth			\$ <u>2,779,892</u>
C. <u>Excess (deficit) net worth:</u>			\$ <u>81,158,109</u>
(Adjusted net worth - required net worth)			

TENNESSEE HOUSING DEVELOPMENT AGENCY
 COMPUTATION OF LIQUID ASSETS REQUIREMENT PURSUANT TO GNMA REQUIREMENTS
 AS OF JUNE 30, 2023

A. Liquid asset calculation

Required net worth (attachment B, section B)		\$	<u>2,779,892</u>
Acceptable liquid assets			
1. Cash and Cash Equivalents	\$	<u>371,513,000</u>	
2.	\$	<u> </u>	
3.	\$	<u> </u>	
4.	\$	<u> </u>	
5.	\$	<u> </u>	
6.	\$	<u> </u>	
Total liquid assets		\$	<u>371,513,000</u>

B. Required liquid asset:

Single-family issuer liquidity requirement (Greater of \$1,000,000 or .10% of outstanding single-family securities)	\$	<u>2,225,600</u>	Meets requirement? (yes-no) <u>Yes</u>
---	----	------------------	---

All other issuer types liquidity requirement (Total liquid assets-required net worth)	<u>N/A</u>	%	Meets requirement? (yes-no) <u>N/A</u>
---	------------	---	---

Multiple program participation

Liquid assets	Required	Actual	
Single family	\$ <u>N/A</u>	\$ <u>N/A</u>	Meets requirement (yes-no)
Multifamily	\$ <u>N/A</u>	\$ <u>N/A</u>	
HMBS	\$ <u>N/A</u>	\$ <u>N/A</u>	
MH	\$ <u>N/A</u>	\$ <u>N/A</u>	
Total	\$ <u>0</u>	\$ <u>0</u>	<u>Yes</u>

**TENNESSEE HOUSING DEVELOPMENT AGENCY
COMPUTATION OF INSURANCE REQUIREMENTS PURSUANT TO GNMA REQUIREMENTS
AS OF JUNE 30, 2023**

A. Identification of affiliated Ginnie Mae Issuers:

Affiliated Ginnie Mae issuers: Tennessee Housing Development Agency - 4446
(Issuer name and Ginnie Mae issuer identification number)

Affiliated issuers
on same insurance policies: _____
(Issuer name and Ginnie Mae issuer identification number)

B. Required insurance calculation:

Servicing portfolio:	
Ginnie Mae	\$ 22,247,161
Fannie Mae	\$ -
Freddie Mac	\$ 62,262,465
Conventional (other)	\$ 124,471,913
Remaining principal balance of total servicing portfolio	\$ 2,830,790,179
Required fidelity bond coverage	\$ 3,564,772
Required mortgage servicing errors and omissions coverage	\$ 3,564,772

C. Verification of insurance coverage:

Fidelity bond coverage at end of reporting period	\$ 4,500,000
Mortgage servicing errors and omissions coverage at end of reporting period	\$ 4,500,000

D. Excess (deficit) insurance coverage:

Fidelity bond coverage	\$ 935,228
Required mortgage servicing errors and omissions coverage	\$ 935,228

E. Policies contain the required elements

Fidelity bond coverage	Yes
Mortgage servicing errors and omissions coverage	Yes

***UNAUDITED FINANCIAL
INFORMATION***

September 30, 2023

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

1/8/2024

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

September 30, 2023

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2023
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 146,645	\$ 13,983	\$ 1,722	\$ 237,632	\$ 399,982
Investments	-	906	908	107,095	108,909
Receivables:					
Accounts	7,131	73	84	5,001	12,289
Interest	-	4	228	12,943	13,175
Loans held for resale	4,782	150	-	-	4,932
First and second mortgage loans	-	2,447	1,769	76,273	80,489
Due from federal government	33,548	-	-	-	33,548
Due from other state funds	217	-	-	-	217
Due from other funds	-	-	-	35,435	35,435
Total current assets	192,323	17,563	4,711	474,379	688,976
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	36,191	-	32	8,806	45,029
Investments	-	1,152	6,217	105,053	112,422
Investment interest receivable	-	-	2	465	467
Investments	-	-	-	69,205	69,205
First mortgage loans receivable	8	47,296	42,972	2,762,740	2,853,016
Allowance for non-performing 1st mortgage loans	-	(38)	(3)	(270)	(311)
Second mortgage loans receivable	-	-	-	105,201	105,201
Allowance for uncollectable second mortgages	-	-	-	(46,122)	(46,122)
Other receivables	5,650	-	-	-	5,650
Unearned service release premium	883	-	-	19,628	20,511
Advance to local government	3,146	-	-	-	3,146
Net pension asset	167	-	-	-	167
Capital assets:					
Furniture and equipment	14,550	-	-	-	14,550
Less accumulated depreciation	(9,175)	-	-	-	(9,175)
Total noncurrent assets	51,420	48,410	49,220	3,024,706	3,173,756
Total assets	243,743	65,973	53,931	3,499,085	3,862,732
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	26	26
Deferred outflows related to pensions	6,305	-	-	-	6,305
Deferred outflows related to OPEB	249	-	-	-	249
Deferred outflows related to defeased bonds	-	-	-	926	926
Total deferred outflows of resources	6,554	-	-	952	7,506
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 3,017	\$ 12	\$ -	\$ -	\$ 3,029
Accrued payroll and related liabilities	922	-	-	-	922
Compensated absences	998	-	-	-	998
Interest payable	23	-	326	24,893	25,242
Escrow deposits	23,745	-	-	-	23,745
Prepayments on mortgage loans	-	-	22	1,698	1,720
Line of credit payable	4,974	-	-	-	4,974
Due to other funds	35,435	-	-	-	35,435
Bonds payable	-	-	2,210	106,665	108,875
Total current liabilities	69,114	12	2,558	133,256	204,940
Noncurrent liabilities:					
Bonds payable	-	-	36,685	2,895,097	2,931,782
Compensated absences	1,170	-	-	-	1,170
Net pension liability	5,041	-	-	-	5,041
Total OPEB liability	1,119	-	-	-	1,119
Escrow deposits	14,067	48	-	4	14,119
Unearned revenue	126,504	3,097	-	9,983	139,584
Arbitrage rebate payable	-	-	-	73	73
Total noncurrent liabilities	147,901	3,145	36,685	2,905,157	3,092,888
Total liabilities	217,015	3,157	39,243	3,038,413	3,297,828
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	541	-	-	-	541
Deferred inflows related to OPEB	1,343	-	-	-	1,343
Total deferred inflows of resources	1,884	-	-	-	1,884
NET POSITION					
Net investment in capital assets	5,375	-	-	-	5,375
Restricted for single family bond programs	-	2,607	14,688	461,624	478,919
Restricted for grant programs	-	20,002	-	-	20,002
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for pension asset	167	-	-	-	167
Unrestricted	22,702	40,207	-	-	62,909
Total net position	\$ 31,398	\$ 62,816	\$ 14,688	\$ 461,624	\$ 570,526

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2023

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 9/30/2023</u>
OPERATING REVENUES					
Mortgage interest income	\$ 59	\$ 38	\$ 541	\$ 30,275	\$ 30,913
Investment income:					
Interest	48	220	24	3,429	3,721
Net increase (decrease) in the fair value of investments	-	55	59	(178)	(64)
Federal grant administration fees	3,903	-	-	-	3,903
Fees and other income	5,221	137	-	5	5,363
Total operating revenues	<u>9,231</u>	<u>450</u>	<u>624</u>	<u>33,531</u>	<u>43,836</u>
OPERATING EXPENSES					
Salaries and benefits	7,456	-	-	-	7,456
Contractual services	2,245	-	-	-	2,245
Materials and supplies	588	-	-	-	588
Rentals and insurance	6	-	-	-	6
Other administrative expenses	169	-	-	-	169
Other program expenses	3,130	-	-	2,915	6,045
Interest expense	57	-	263	23,660	23,980
Issuance costs	-	-	-	1,616	1,616
Amortization on service release premium	9	-	-	-	9
Total operating expenses	<u>13,660</u>	<u>-</u>	<u>263</u>	<u>28,191</u>	<u>42,114</u>
Operating income (loss)	<u>(4,429)</u>	<u>450</u>	<u>361</u>	<u>5,340</u>	<u>1,722</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	86,980	-	-	-	86,980
Federal grants expenses	(86,858)	-	-	-	(86,858)
Local grants expenses	(2,748)	-	-	-	(2,748)
Total nonoperating revenues (expenses)	<u>(2,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,626)</u>
Income (loss) before transfers	<u>(7,055)</u>	<u>450</u>	<u>361</u>	<u>5,340</u>	<u>(904)</u>
Transfers (to) other funds	-	(19,922)	(791)	-	(20,713)
Transfers from other funds	1,368	-	-	19,345	20,713
Change in net position	<u>(5,687)</u>	<u>(19,472)</u>	<u>(430)</u>	<u>24,685</u>	<u>(904)</u>
Total net position, July 1	37,085	82,288	15,118	436,939	571,430
Total net position, End of period	<u>\$ 31,398</u>	<u>\$ 62,816</u>	<u>\$ 14,688</u>	<u>\$ 461,624</u>	<u>\$ 570,526</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2023

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2023
Cash flows from operating activities:					
Receipts from customers	\$ 1,554	\$ 5,354	\$ 2,788	\$ 52,299	\$ 61,995
Receipts from federal government	3,960	-	-	-	3,960
Other miscellaneous receipts	5,221	132	-	5	5,358
Acquisition of mortgage loans	-	(1,424)	-	(164,201)	(165,625)
Payments to suppliers	(14,255)	-	-	(4,296)	(18,551)
Payments to or for employees	(7,612)	-	-	-	(7,612)
Net cash provided (used) by operating activities	(11,132)	4,062	2,788	(116,193)	(120,475)
Cash flows from non-capital financing activities:					
Operating grants received	111,837	-	-	-	111,837
Transfers in (out)	1,368	(19,922)	(791)	19,345	-
Proceeds from sale of bonds	-	-	-	239,205	239,205
Operating grants paid	(108,110)	-	-	-	(108,110)
Cost of issuance paid	-	-	-	(1,616)	(1,616)
Principal payments	-	-	(1,265)	(15,720)	(16,985)
Interest paid	(34)	-	(673)	(43,383)	(44,090)
Net cash provided (used) by non-capital financing activities	5,061	(19,922)	(2,729)	197,831	180,241
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	160	1,660	104,044	105,864
Purchases of investments	-	-	(901)	(130,290)	(131,191)
Investment interest received	48	218	23	3,223	3,512
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	34	14	1,037	1,085
Net cash provided (used) by investing activities	48	412	796	(21,986)	(20,730)
Net increase (decrease) in cash and cash equivalents	(6,023)	(15,448)	855	59,652	39,036
Cash and cash equivalents, July 1	188,859	29,431	899	186,786	405,975
Cash and cash equivalents, End of period	\$ 182,836	\$ 13,983	\$ 1,754	\$ 246,438	\$ 445,011

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2023

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 9/30/2023</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (4,429)	\$ 450	\$ 361	\$ 5,340	\$ 1,722
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	4,639	55	(1)	4,855	9,548
Mortgage interest receivable	-	-	27	(766)	(739)
Loans held for resale	(4,782)	4,510	-	-	(272)
Mortgage loans receivable	(3)	(693)	2,222	(147,541)	(146,015)
Due from federal government	57	-	-	-	57
Other receivables	513	-	-	(1,258)	(745)
Unearned service release premium	(164)	-	-	-	(164)
Accounts payable	(7,853)	1	(6)	112	(7,746)
Accrued payroll / compensated absences	(24)	-	-	-	(24)
Due to primary government	(101)	-	-	-	(101)
Line of credit payable	4,974	-	-	-	4,974
Unearned revenue	(3,968)	14	-	1,040	(2,914)
Investment income / expense included as operating revenue	(48)	(275)	(83)	(3,251)	(3,657)
Interest expense included as operating expense	57	-	268	23,660	23,985
Issuance cost included as operating expense	-	-	-	1,616	1,616
Total adjustments	<u>(6,703)</u>	<u>3,612</u>	<u>2,427</u>	<u>(121,533)</u>	<u>(122,197)</u>
Net cash provided (used) by operating activities	<u>\$ (11,132)</u>	<u>\$ 4,062</u>	<u>\$ 2,788</u>	<u>\$ (116,193)</u>	<u>\$ (120,475)</u>
Noncash investing, capital, and financing activities:					
Increase (decrease) in fair value of investments	-	55	59	(178)	(64)
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 59</u>	<u>\$ (178)</u>	<u>\$ (64)</u>

***UNAUDITED FINANCIAL
INFORMATION***

December 31, 2023

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

2/26/2024

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2023

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2023
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 153,020	\$ 25,459	\$ 3,772	\$ 401,666	\$ 583,917
Investments	-	1,882	919	107,494	110,295
Receivables:					
Accounts	9,003	66	28	4,107	13,204
Interest	-	22	217	14,099	14,338
Loans held for resale	16,589	150	-	-	16,739
First and second mortgage loans	-	2,508	1,765	77,446	81,719
Due from federal government	38,848	-	-	-	38,848
Due from other funds	-	-	-	35,437	35,437
Total current assets	217,460	30,087	6,701	640,249	894,497
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	15,615	-	16	20,081	35,712
Investments	-	2,211	5,966	97,656	105,833
Investment interest receivable	-	-	11	295	306
Investments	-	-	-	129,398	129,398
First mortgage loans receivable	8	48,313	41,930	2,916,347	3,006,598
Allowance for non-performing 1st mortgage loans	-	(61)	(2)	(360)	(423)
Second mortgage loans receivable	-	-	-	115,537	115,537
Allowance for uncollectable second mortgages	-	-	-	(49,301)	(49,301)
Other receivables	5,269	-	-	21,186	26,455
Unearned service release premium	1,160	-	-	-	1,160
Advance to local government	3,146	-	-	-	3,146
Net pension asset	167	-	-	-	167
Capital assets:					
Furniture and equipment	14,550	-	-	-	14,550
Less accumulated depreciation	(9,175)	-	-	-	(9,175)
Total noncurrent assets	30,740	50,463	47,921	3,250,839	3,379,963
Total assets	248,200	80,550	54,622	3,891,088	4,274,460
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	25	25
Deferred outflows related to pensions	6,305	-	-	-	6,305
Deferred outflows related to OPEB	249	-	-	-	249
Deferred outflows related to defeased bonds	-	-	-	912	912
Total deferred outflows of resources	6,554	-	-	937	7,491
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 19,889	\$ 12	\$ 1	\$ 127	\$ 20,029
Accrued payroll and related liabilities	922	-	-	-	922
Compensated absences	998	-	-	-	998
Interest payable	76	-	652	53,571	54,299
Escrow deposits	4,540	-	-	-	4,540
Prepayments on mortgage loans	-	-	22	1,881	1,903
Line of credit payable	16,734	-	-	-	16,734
Due to other state funds	741	-	-	-	741
Due to other funds	35,437	-	-	-	35,437
Bonds payable	-	-	1,130	110,310	111,440
Total current liabilities	79,337	12	1,805	165,889	247,043
Noncurrent liabilities:					
Bonds payable	-	-	37,759	3,256,813	3,294,572
Compensated absences	1,170	-	-	-	1,170
Net pension liability	5,041	-	-	-	5,041
Total OPEB liability	1,119	-	-	-	1,119
Escrow deposits	16,746	48	-	4	16,798
Unearned revenue	123,225	3,098	-	10,759	137,082
Arbitrage rebate payable	-	-	-	73	73
Total noncurrent liabilities	147,301	3,146	37,759	3,267,649	3,455,855
Total liabilities	226,638	3,158	39,564	3,433,538	3,702,898
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	541	-	-	-	541
Deferred inflows related to OPEB	1,343	-	-	-	1,343
Total deferred inflows of resources	1,884	-	-	-	1,884
NET POSITION					
Net investment in capital assets	5,375	-	-	-	5,375
Restricted for single family bond programs	-	11,268	15,058	458,487	484,813
Restricted for grant programs	-	19,369	-	-	19,369
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for pension asset	167	-	-	-	167
Unrestricted	17,536	46,755	-	-	64,291
Total net position	\$ 26,232	\$ 77,392	\$ 15,058	\$ 458,487	\$ 577,169

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2023

	<u>Operating Group</u>	<u>Mortgage Finance Program</u>	<u>Housing Finance Program Bonds</u>	<u>Residential Finance Program Bonds</u>	<u>Total 12/31/2023</u>
OPERATING REVENUES					
Mortgage interest income	\$ 213	\$ 54	\$ 1,031	\$ 62,122	\$ 63,420
Investment income:					
Interest	72	421	54	8,251	8,798
Net increase in the fair value of investments	-	91	223	9,362	9,676
Federal grant administration fees	9,315	-	-	-	9,315
Fees and other income	10,889	236	-	7	11,132
Total operating revenues	<u>20,489</u>	<u>802</u>	<u>1,308</u>	<u>79,742</u>	<u>102,341</u>
OPERATING EXPENSES					
Salaries and benefits	15,980	-	-	-	15,980
Contractual services	6,081	-	-	-	6,081
Materials and supplies	1,144	-	-	-	1,144
Rentals and insurance	15	-	-	-	15
Other administrative expenses	373	-	-	-	373
Other program expenses	6,215	18	-	6,458	12,691
Interest expense	171	-	584	51,545	52,300
Issuance costs	-	-	-	3,930	3,930
Amortization on service release premium	24	-	-	-	24
Total operating expenses	<u>30,003</u>	<u>18</u>	<u>584</u>	<u>61,933</u>	<u>92,538</u>
Operating income (loss)	<u>(9,514)</u>	<u>784</u>	<u>724</u>	<u>17,809</u>	<u>9,803</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	210,865	-	-	-	210,865
Federal grants expenses	(211,301)	-	-	-	(211,301)
Local grants expenses	(3,628)	-	-	-	(3,628)
Total nonoperating revenues (expenses)	<u>(4,064)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,064)</u>
Income (loss) before transfers	<u>(13,578)</u>	<u>784</u>	<u>724</u>	<u>17,809</u>	<u>5,739</u>
Transfers (to) other funds	-	(5,680)	(784)	-	(6,464)
Transfers from other funds	2,725	-	-	3,739	6,464
Change in net position	<u>(10,853)</u>	<u>(4,896)</u>	<u>(60)</u>	<u>21,548</u>	<u>5,739</u>
Total net position, July 1	37,085	82,288	15,118	436,939	571,430
Total net position, End of period	<u>\$ 26,232</u>	<u>\$ 77,392</u>	<u>\$ 15,058</u>	<u>\$ 458,487</u>	<u>\$ 577,169</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2023

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2023
Cash flows from operating activities:					
Receipts from customers	\$ 7,669	\$ 6,118	\$ 4,389	\$ 146,832	\$ 165,008
Receipts from federal government	9,372	-	-	-	9,372
Receipts from other funds	2	-	-	-	2
Other miscellaneous receipts	10,889	236	-	7	11,132
Acquisition of mortgage loans	-	(3,224)	-	(388,355)	(391,579)
Payments to suppliers	(31,777)	(19)	(2)	(9,268)	(41,066)
Payments to federal government	-	-	-	(1)	(1)
Payments to other funds	-	-	-	(2)	(2)
Payments to or for employees	(16,287)	-	-	-	(16,287)
Net cash provided (used) by operating activities	<u>(20,132)</u>	<u>3,111</u>	<u>4,387</u>	<u>(250,787)</u>	<u>(263,421)</u>
Cash flows from non-capital financing activities:					
Operating grants received	230,639	-	-	-	230,639
Transfers in (out)	2,725	(5,680)	(784)	3,739	-
Proceeds from sale of bonds	-	-	-	605,470	605,470
Operating grants paid	(233,433)	-	-	-	(233,433)
Cost of issuance paid	-	-	-	(3,930)	(3,930)
Principal payments	-	-	(1,265)	(15,815)	(17,080)
Interest paid	(95)	-	(669)	(43,384)	(44,148)
Net cash provided (used) by non-capital financing activities	<u>(164)</u>	<u>(5,680)</u>	<u>(2,718)</u>	<u>546,080</u>	<u>537,518</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	160	2,160	126,056	128,376
Purchases of investments	-	(2,000)	(1,016)	(197,678)	(200,694)
Investment interest received	72	401	57	8,533	9,063
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	36	19	2,757	2,812
Net cash provided (used) by investing activities	<u>72</u>	<u>(1,403)</u>	<u>1,220</u>	<u>(60,332)</u>	<u>(60,443)</u>
Net increase (decrease) in cash and cash equivalents	(20,224)	(3,972)	2,889	234,961	213,654
Cash and cash equivalents, July 1	<u>188,859</u>	<u>29,431</u>	<u>899</u>	<u>186,786</u>	<u>405,975</u>
Cash and cash equivalents, End of period	<u>\$ 168,635</u>	<u>\$ 25,459</u>	<u>\$ 3,788</u>	<u>\$ 421,747</u>	<u>\$ 619,629</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2023

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2023
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (9,514)	\$ 784	\$ 724	\$ 17,809	\$ 9,803
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	2,767	62	55	5,749	8,633
Mortgage interest receivable	-	-	38	(2,241)	(2,203)
Loans held for resale	(16,589)	4,510	-	-	(12,079)
Mortgage loans receivable	(3)	(1,748)	3,267	(309,388)	(307,872)
Due from federal government	57	-	-	-	57
Other receivables	894	-	-	(2,816)	(1,922)
Unearned service release premium	(441)	-	-	-	(441)
Interfund receivables	2	-	-	-	2
Interfund payables	-	-	-	(2)	(2)
Accounts payable	(7,506)	(1)	(4)	424	(7,087)
Accrued payroll / compensated absences	(24)	-	-	-	(24)
Due to primary government	640	-	-	-	640
Line of credit payable	16,734	-	-	-	16,734
Unearned revenue	(7,248)	16	-	1,816	(5,416)
Investment income / expense included as operating revenue	(72)	(512)	(277)	(17,613)	(18,474)
Interest expense included as operating expense	171	-	584	51,545	52,300
Issuance cost included as operating expense	-	-	-	3,930	3,930
Total adjustments	<u>(10,618)</u>	<u>2,327</u>	<u>3,663</u>	<u>(268,596)</u>	<u>(273,224)</u>
Net cash provided (used) by operating activities	<u>\$ (20,132)</u>	<u>\$ 3,111</u>	<u>\$ 4,387</u>	<u>\$ (250,787)</u>	<u>\$ (263,421)</u>
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	-	57	203	5,364	5,624
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 203</u>	<u>\$ 5,364</u>	<u>\$ 5,624</u>

***UNAUDITED FINANCIAL
INFORMATION***

March 31, 2024

I Trent Ridley hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

5/23/2024

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

March 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2024
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 143,119	\$ 19,015	\$ 2,106	\$ 420,047	\$ 584,287
Investments	-	1,899	-	133,800	135,699
Receivables:					
Accounts	8,658	83	113	6,789	15,643
Interest	12	56	225	15,671	15,964
Loans held for resale	3,794	150	-	-	3,944
First and second mortgage loans	-	2,556	1,733	77,838	82,127
Due from federal government	30,041	-	-	-	30,041
Due from other funds	-	-	-	35,439	35,439
Total current assets	185,624	23,759	4,177	689,584	903,144
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	25,365	-	15	6,985	32,365
Investments	-	-	5,993	113,797	119,790
Investment interest receivable	-	-	4	684	688
Investments	-	2,211	-	135,240	137,451
First mortgage loans receivable	8	49,487	40,927	2,955,940	3,046,362
Allowance for non-performing 1st mortgage loans	-	(39)	(15)	(327)	(381)
Second mortgage loans receivable	-	-	-	119,855	119,855
Allowance for uncollectable second mortgages	-	-	-	(50,964)	(50,964)
Other receivables	4,805	-	-	22,312	27,117
Unearned service release premium	1,498	-	-	-	1,498
Advance to local government	3,146	-	-	-	3,146
Net pension asset	167	-	-	-	167
Capital assets:					
Furniture and equipment	14,550	-	-	-	14,550
Less accumulated depreciation	(9,175)	-	-	-	(9,175)
Total noncurrent assets	40,364	51,659	46,924	3,303,522	3,442,469
Total assets	225,988	75,418	51,101	3,993,106	4,345,613
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	25	25
Deferred outflows related to pensions	6,305	-	-	-	6,305
Deferred outflows related to OPEB	249	-	-	-	249
Deferred outflows related to defeased bonds	-	-	-	899	899
Total deferred outflows of resources	6,554	-	-	924	7,478
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 7,144	\$ 11	\$ -	\$ -	\$ 7,155
Compensated absences	998	-	-	-	998
Interest payable	26	-	297	30,006	30,329
Escrow deposits	12,932	-	-	-	12,932
Prepayments on mortgage loans	2	-	24	2,125	2,151
Line of credit payable	3,901	-	-	-	3,901
Due to other state funds	4,345	-	-	-	4,345
Due to other funds	35,439	-	-	-	35,439
Bonds payable	-	-	2,435	116,945	119,380
Total current liabilities	64,787	11	2,756	149,076	216,630
Noncurrent liabilities:					
Bonds payable	-	-	32,816	3,362,973	3,395,789
Compensated absences	1,170	-	-	-	1,170
Net pension liability	5,041	-	-	-	5,041
Total OPEB liability	1,119	-	-	-	1,119
Escrow deposits	14,970	48	-	5	15,023
Unearned revenue	120,390	1,692	-	11,490	133,572
Arbitrage rebate payable	-	-	-	73	73
Total noncurrent liabilities	142,690	1,740	32,816	3,374,541	3,551,787
Total liabilities	207,477	1,751	35,572	3,523,617	3,768,417
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	541	-	-	-	541
Deferred inflows related to OPEB	1,343	-	-	-	1,343
Total deferred inflows of resources	1,884	-	-	-	1,884
NET POSITION					
Net investment in capital assets	5,375	-	-	-	5,375
Restricted for single family bond programs	-	10,678	15,529	470,413	496,620
Restricted for grant programs	-	17,334	-	-	17,334
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for pension asset	167	-	-	-	167
Unrestricted	14,485	45,655	-	-	60,140
Total net position	\$ 23,181	\$ 73,667	\$ 15,529	\$ 470,413	\$ 582,790

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2024
OPERATING REVENUES					
Mortgage interest income	\$ 417	\$ 72	\$ 1,556	\$ 99,322	\$ 101,367
Investment income:					
Interest	1,313	565	75	12,345	14,298
Net increase in the fair value of investments	-	244	262	11,850	12,356
Federal grant administration fees	15,359	-	-	-	15,359
Fees and other income	11,706	314	-	7	12,027
Total operating revenues	<u>28,795</u>	<u>1,195</u>	<u>1,893</u>	<u>123,524</u>	<u>155,407</u>
OPERATING EXPENSES					
Salaries and benefits	24,277	-	-	-	24,277
Contractual services	10,859	-	-	-	10,859
Materials and supplies	1,734	-	-	-	1,734
Rentals and insurance	26	-	-	-	26
Other administrative expenses	587	-	-	-	587
Other program expenses	8,373	-	10	8,243	16,626
Interest expense	250	-	767	75,493	76,510
Issuance costs	-	-	-	5,980	5,980
Amortization on service release premium	43	-	-	-	43
Total operating expenses	<u>46,149</u>	<u>-</u>	<u>777</u>	<u>89,716</u>	<u>136,642</u>
Operating income (loss)	<u>(17,354)</u>	<u>1,195</u>	<u>1,116</u>	<u>33,808</u>	<u>18,765</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	339,793	-	-	-	339,793
Federal grants expenses	(341,418)	-	-	-	(341,418)
Local grants expenses	(5,780)	-	-	-	(5,780)
Total nonoperating revenues (expenses)	<u>(7,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,405)</u>
Income (loss) before transfers	<u>(24,759)</u>	<u>1,195</u>	<u>1,116</u>	<u>33,808</u>	<u>11,360</u>
Transfers (to) other funds	-	(9,816)	(705)	(334)	(10,855)
Transfers from other funds	10,855	-	-	-	10,855
Change in net position	<u>(13,904)</u>	<u>(8,621)</u>	<u>411</u>	<u>33,474</u>	<u>11,360</u>
Total net position, July 1	37,085	82,288	15,118	436,939	571,430
Total net position, End of period	<u>\$ 23,181</u>	<u>\$ 73,667</u>	<u>\$ 15,529</u>	<u>\$ 470,413</u>	<u>\$ 582,790</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2024
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ 5,774	\$ 5,870	\$ 313,073	\$ 324,717
Receipts from federal government	15,416	-	-	-	15,416
Receipts from other funds	4	-	-	-	4
Other miscellaneous receipts	11,706	314	-	7	12,027
Acquisition of mortgage loans	-	(5,528)	-	(562,675)	(568,203)
Payments to suppliers	(40,805)	(2)	(14)	(12,307)	(53,128)
Payments to federal government	-	-	-	(1)	(1)
Payments to other funds	-	-	-	(4)	(4)
Payments to or for employees	(25,657)	-	-	-	(25,657)
Net cash provided (used) by operating activities	<u>(39,336)</u>	<u>558</u>	<u>5,856</u>	<u>(261,907)</u>	<u>(294,829)</u>
Cash flows from non-capital financing activities:					
Operating grants received	372,719	-	-	-	372,719
Transfers in (out)	10,855	(9,816)	(705)	(334)	-
Proceeds from sale of bonds	-	-	-	879,716	879,716
Operating grants paid	(365,702)	-	-	-	(365,702)
Cost of issuance paid	-	-	-	(5,980)	(5,980)
Principal payments	-	-	(4,785)	(171,195)	(175,980)
Interest paid	(224)	-	(1,323)	(96,955)	(98,502)
Net cash provided (used) by non-capital financing activities	<u>17,648</u>	<u>(9,816)</u>	<u>(6,813)</u>	<u>605,252</u>	<u>606,271</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	160	3,080	231,210	234,450
Purchases of investments	-	(2,000)	(1,016)	(350,875)	(353,891)
Investment interest received	1,313	511	85	11,565	13,474
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	171	30	5,001	5,202
Net cash provided (used) by investing activities	<u>1,313</u>	<u>(1,158)</u>	<u>2,179</u>	<u>(103,099)</u>	<u>(100,765)</u>
Net increase (decrease) in cash and cash equivalents	(20,375)	(10,416)	1,222	240,246	210,677
Cash and cash equivalents, July 1	<u>188,859</u>	<u>29,431</u>	<u>899</u>	<u>186,786</u>	<u>405,975</u>
Cash and cash equivalents, End of period	<u>\$ 168,484</u>	<u>\$ 19,015</u>	<u>\$ 2,121</u>	<u>\$ 427,032</u>	<u>\$ 616,652</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Nine Months Ended March 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 3/31/2024
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (17,354)	\$ 1,195	\$ 1,116	\$ 33,808	\$ 18,765
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	3,112	45	(30)	3,067	6,194
Mortgage interest receivable	(12)	-	30	(3,140)	(3,122)
Loans held for resale	(3,794)	4,510	-	-	716
Mortgage loans receivable	(3)	(2,992)	4,315	(352,061)	(350,741)
Due from federal government	57	-	-	-	57
Other receivables	1,358	-	-	(3,942)	(2,584)
Unearned service release premium	(779)	-	-	-	(779)
Interfund receivables	4	-	-	-	4
Interfund payables	-	-	-	(4)	(4)
Accounts payable	(13,633)	(2)	(5)	541	(13,099)
Accrued payroll / compensated absences	(946)	-	-	-	(946)
Due to primary government	(101)	-	-	-	(101)
Line of credit payable	3,901	-	-	-	3,901
Unearned revenue	(10,083)	(1,389)	-	2,547	(8,925)
Increase in arbitrage rebate liability	-	-	-	(1)	(1)
Investment income / expense included as operating revenue	(1,313)	(809)	(337)	(24,195)	(26,654)
Interest expense included as operating expense	250	-	767	75,493	76,510
Issuance cost included as operating expense	-	-	-	5,980	5,980
Total adjustments	<u>(21,982)</u>	<u>(637)</u>	<u>4,740</u>	<u>(295,715)</u>	<u>(313,594)</u>
Net cash provided (used) by operating activities	<u>\$ (39,336)</u>	<u>\$ 558</u>	<u>\$ 5,856</u>	<u>\$ (261,907)</u>	<u>\$ (294,829)</u>
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	-	72	203	3,789	4,064
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 72</u>	<u>\$ 203</u>	<u>\$ 3,789</u>	<u>\$ 4,064</u>



***AUDITED
FINANCIAL STATEMENTS***

June 30, 2024



JASON E. MUMPOWER
Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
Members of the Board of Directors
Mr. Ralph Perrey, Executive Director

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Tennessee Housing Development Agency (THDA), a component unit of the State of Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Housing Development Agency as of June 30, 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tennessee Housing Development Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of the Tennessee Housing Development Agency. We do not believe that the Comptroller's service in this capacity affected our ability to conduct an independent audit of the Tennessee Housing Development Agency.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks; such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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 agency's internal control; accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of THDA's proportionate share of the net pension liability for the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's proportionate share of the net pension asset for the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's contributions to the Closed State and Higher Education Employee Pension Plan within TCRS, the schedule of THDA's contributions to the State and Higher Education Employee Retirement Plan within TCRS, the schedule of THDA's proportionate share of the collective total/net OPEB liability for the Closed State Employee Group OPEB Plan, the schedule of THDA's proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan, and the schedule of contributions to the State of Tennessee Postemployment Benefits Trust for the Closed State Employee Group OPEB Plan 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, which 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 financial statements that collectively comprise the agency's basic financial statements. The accompanying financial information 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. The information has been subjected to the auditing procedures applied in the audits 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 information 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 December 5, 2024, on our consideration of the agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and 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 agency's internal control over financial reporting and compliance.



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
December 4, 2024

TENNESSEE HOUSING DEVELOPMENT AGENCY
Management’s Discussion and Analysis
June 30, 2024

This section of the Tennessee Housing Development Agency’s (THDA) annual financial statements presents management’s discussion and analysis of THDA’s financial performance for the year ended June 30, 2024, with comparative information presented for the fiscal year ended June 30, 2023. This information is being presented to provide additional information regarding the activities of THDA and to meet the financial reporting and disclosure requirements of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. This section should be read in conjunction with the Independent Auditor’s Report and the audited financial statements and accompanying notes. These financial statements and the accompanying note disclosures are the responsibility of management.

Introduction – The Tennessee Housing Development Agency

The mission statement of THDA is “Leading Tennessee Home by creating safe, sound, affordable housing opportunities.” THDA’s goal is to provide housing assistance to those in need by offering a variety of housing-related programs. One of the primary ways THDA assists Tennesseans is by offering mortgages for first-time homebuyers at below conventional market interest rates. At the close of fiscal year 2024, THDA has originated over 139,000 single-family mortgage loans in its 51-year history and serves as the master servicer for all active mortgages it funds. In addition to helping homebuyers, THDA administers Section 8 rental assistance programs, including the tenant-based Housing Choice Voucher program in approximately 70 of Tennessee’s 95 counties, as well as the project-based Contract Administration program for approximately 374 contracts throughout all of Tennessee. THDA also administers grant programs, awarded on a competitive annual cycle, for rehabilitation and new construction of owner-occupied units and small rental projects. THDA is also involved in the development and rehabilitation of multifamily rental housing for low-income families by administering the federal Low-Income Housing Tax Credit, which is a competitive process, and by setting aside a portion of bond authority to be allocated to local issuing authorities for specific multifamily developments.

As established by statute, “The agency shall have a board of directors which shall be responsible for carrying out the powers given to the agency” (Section 13-23-105, *Tennessee Code Annotated*). This board meets regularly on a bimonthly basis; however, some committees may meet more often as situations dictate.

Overview of the Financial Statements

The basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows, as well as the notes to the financial statements. The statement of net position provides financial information on the overall financial position of THDA at each year-end. The statement of revenues, expenses, and changes in net position summarizes the results of operations over the course of each fiscal year. The statement of cash flows provides relevant information about THDA’s cash receipts and cash payments during each fiscal year.

The notes to the financial statements provide essential information regarding THDA's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

THDA's financial statements are presented using the accrual basis of accounting and the flow of economic resources measurement focus. In addition to the basic financial statements, required and other supplementary information is included.

THDA is also considered to be a discretely presented "component unit" for the State of Tennessee, and therefore, its financial information is reported in the State of Tennessee's government-wide *Annual Comprehensive Financial Report*. This report may be viewed at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>.

Financial Highlights

Year Ended June 30, 2024

- Total assets increased by \$1,009 million, or 27.64%.
- Total liabilities increased by \$946 million, or 30.65%.
- Net position was \$635 million. This is an increase of \$63 million, or 11.10%, from fiscal year 2023 net position (as adjusted).
- Cash and cash equivalents increased by \$237 million, or 58.37%.
- Total investments increased by \$329 million, or 123.37%.
- Bonds payable increased by \$905 million, or 32.11 %.
- THDA originated \$735 million in new loans, which is an increase of \$310 million, or 72.92%, from the prior year.

Financial Analysis of the Agency

Net Position – The following table focuses on the changes in net position between fiscal years (expressed in thousands):

	2024	2023
Current assets	\$1,081,858	\$664,393
Capital assets	4,595	5,375
Other noncurrent assets	3,572,977	2,980,638
Total assets	4,659,430	3,650,406
Deferred outflows of resources	7,182	7,520
Current liabilities	269,563	171,330
Noncurrent liabilities	3,760,633	2,913,282
Total liabilities	4,030,196	3,084,612
Deferred inflows of resources	1,531	1,884
Investment in capital assets	4,595	5,375
Restricted net position	581,508	487,492
Unrestricted net position	48,782	78,563
Total net position	\$634,885	\$571,430

2024 to 2023

First and second mortgage loans receivable (net of allowance for forgivable second mortgages and allowance for non-performing first mortgage loans) increased by \$440.6 million. During fiscal year 2024, single-family mortgage loan originations increased by \$309.9 million, whereas mortgage loan payoffs decreased by \$46.0 million and mortgage loan repayments increased \$5.7 million. THDA recognized an allowance for future uncollectable forgivable second mortgages of \$4.9 million for fiscal year 2024. In addition THDA recognized an allowance for non-performing first mortgage loans of \$243 thousand.

Total liabilities increased \$946 million. The increase is primarily due to a \$905.4 million increase of bonds payable at June 30, 2024, as compared to June 30, 2023.

Changes in Net Position – The following table summarizes the changes in revenues, expenses, and changes in net position between fiscal years (expressed in thousands):

	2024	2023
Operating revenues		
Mortgage interest income	\$137,679	\$113,186
Investment income	37,517	11,590
Other	78,596	52,830
Total operating revenues	253,792	177,606
Operating expenses		
Interest expense	108,752	74,316
Other	73,531	81,809
Total operating expenses	182,283	156,125
Operating income	71,508	21,481
Nonoperating revenues (expenses)		
Grant revenues	501,127	571,408
Payments from primary govt	897	1,021
Grant expenses	(510,078)	(581,423)
Total nonoperating revenues (expenses)	(8,054)	(8,994)
Change in net position	\$63,454	\$12,487

2024 to 2023

Total operating revenues increased \$76.2 million, primarily due to an increase in mortgage interest income of \$24.4 million and a revised calculation of the allowance for uncollectable second mortgages of \$37.0 million. Mortgage interest income increase is primarily due to an increase in mortgage loans.

Total operating expenses increased \$26.2 million. This is primarily due to an increase in salaries and benefits. Salaries and benefits increased primarily due to increases in personnel activity related to additional funding and the overall labor market.

Nonoperating grant revenues decreased \$70.4 million and nonoperating grant expenses decreased \$71.3 million, primarily due to a decrease in spending of federal grant programs. The decrease in spending of federal grant programs is due to a slowdown in the funding effects from the federal government that are related to COVID-19 pandemic relief.

Debt Activity

Bonds outstanding as of June 30, 2024, were \$3,725,143 (expressed in thousands) which is a \$905.4 million increase from bonds outstanding of \$2,819,743 (expressed in thousands) as of June 30, 2023. The increase in bonds payable is primarily due to an increase in mortgage production, which therefore lead to more bonds issued during fiscal year 2024. During the fiscal year, THDA issued debt totaling \$1,120 million, with activity arising from four bond issues.

Bond Ratings

For bonds issued under the Housing Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa2. These bonds are not rated by S&P.

For bonds issued under the Residential Finance Program Bonds, Moody's has assigned THDA's bonds a rating of Aa1 and S&P has assigned THDA's bonds a rating of AA+.

Debt Limits

In accordance with Section 13-23-121, *Tennessee Code Annotated*, THDA operates under a "debt ceiling" of \$4,000,000,000.

Grant Programs

During fiscal year 2007 through fiscal year 2009, the General Assembly appropriated revenue to THDA for grant programs. Likewise, THDA's board of directors allocated additional THDA funds for grants. These funds established a grant program that was titled by THDA the "Tennessee Housing Trust Fund."

The four-level model for funding this grant program includes state appropriations, THDA funds, private sector investment, and matching funds from local grantees. The purpose of this grant program is to serve the needs of low and/or very low income, elderly, and special needs Tennesseans. Funding and uses for the Housing Trust Fund are as follows:

	2024	2023	2022 and Prior	Total
Funding Sources:				
THDA	\$7,500,000	\$7,500,000	\$116,100,000	\$131,100,000
State Appropriation	-	-	4,350,000	4,350,000
Totals	\$7,500,000	\$7,500,000	\$120,450,000	\$135,450,000
Approved Uses:				
Rural Repair Program (USDA)	\$ -	\$ -	\$6,300,000	\$6,300,000
Ramp Programs & Housing Modification	-	-	2,750,000	2,750,000
Emergency Repairs	2,700,000	2,700,000	34,700,000	40,100,000
Competitive Grants	3,800,000	3,800,000	58,400,000	66,000,000
Rebuild & Recover	600,000	500,000	5,800,000	6,900,000
Challenge Grant Program	-	500,000	1,500,000	2,000,000
Creating Homes Initiative – 2 Program	-	-	2,500,000	2,500,000
COVID-19 Supplemental	-	-	500,000	500,000
Other Grants	400,000	-	8,000,000	8,400,000
Totals	\$7,500,000	\$7,500,000	\$120,450,000	\$135,450,000

Current Mortgage Products and Environment

THDA offers a variety of mortgage loan products to address the needs of Tennesseans across the State. The Great Choice loan program offers THDA the opportunity to offer a more competitive interest rate on its 30-year fixed-rate mortgage product while still offering down payment assistance with the addition of one of two Great Choice Plus loan programs. Both options are second mortgages, with a 30 year term. The first is a deferred option at a 0% interest rate and a flat loan amount of \$6,000. The second is an amortizing option at the same interest rate as the first mortgage and a loan amount of 6% of the sales price.

During fiscal year 2023, the Great Choice Plus loan products were modified. The deferred option at 0% interest rate was modified to “up to \$6,000”. The loan is due on sale or refinance, and forgiven at the end of the 30 year term. The amortizing option was modified to “up to 5%” of the sales price.

A special interest rate reduction on the Great Choice loan program has been designated to ensure that qualified service men and women have access to affordable homeownership opportunities. In March 2023, the Homeownership for the Brave program was re-branded and new Homeownership loans are referred to as “Homeownership for Heroes”. This special offer provides a 0.5% rate reduction on the current interest rate for Great Choice loans. The program also was expanded to include firefighters, EMT, local and state law enforcement and paramedics. In addition to the rate reduction, Homeownership for Heroes applicants are eligible for optional down payment and closing cost assistance through the Great Choice Plus second mortgage loan described above.

All first mortgage loans made or purchased by THDA are fixed-rate mortgages with a maximum loan term of 360 months (30 years) and must conform to insurer / guarantor underwriting guidelines. THDA does not make or purchase adjustable-rate mortgages, interest-only mortgages,

“buy-down” loans, mortgages with a future lump-sum payment due (balloon-type mortgages), or with other similar mortgage terms. THDA does not make or purchase “sub-prime” mortgage loans. Single-family mortgage loans purchased by THDA with loan-to-value (LTV) ratios between 78% and 97% must have an acceptable insurer/guarantor, which includes:

- FHA (United States Department of Housing and Urban Development),
- VA (Veterans Administration Guaranty Program),
- USDA/RD (the United States Department of Agriculture - Rural Development, formerly Farmers Home Administration), and
- private mortgage insurance

THDA will accept private mortgage insurance provided from private mortgage insurers who are licensed by the Tennessee Commissioner of Commerce and Insurance to do business in Tennessee and are rated at least AA by S&P. THDA will allow privately insured loans underwritten using nationally accepted underwriting guidelines established by Freddie Mac. These loans must be approved through an automated underwriting system such as Loan Product Advisor with no expanded approvals. The program name must be HFA Advantage. Such privately insured mortgage loans may have LTV ratios up to and including 97% of the lesser of the purchase price or the appraised value. Loans with a 78% LTV or lower do not require mortgage insurance. A detailed list of these mortgage loan products and primary mortgage loan terms may be obtained from THDA’s website at <https://thda.org/homebuyers>.

For the past several years, THDA has closely monitored its loan portfolio for delinquency and foreclosures. This monitoring has included analysis based on loan type (Great Choice, Great Choice Plus, Homeownership for the Brave, Homeownership for Heroes and HFA Advantage); insurer/guarantor (FHA, VA, RECD, private mortgage insurer); mortgage loan servicer; down-payment assistance; and other factors as deemed necessary. THDA established a Mortgage Compliance division, under the Single Family umbrella during fiscal year 2023 to assist with the monitoring of early payment or first payment default.

As of June 30, 2024, the delinquency and foreclosure rates for its single-family loan portfolio are as follows:

Loan Status	Total Number of Loans Serviced	Number of Loans in Status	Principal Amount Outstanding	Percentage ¹
60 – 89 Days Past Due	26,304	585	\$69,081,586	2.22%
90+ Days Past Due	26,304	842	101,683,881	3.20%
In Foreclosure	26,304	50	5,632,536	0.19%

¹ Percentage is calculated by dividing the “Number of Loans in Status” by the “Total Number of Loans Serviced.”

Economic Factors

In accordance with THDA's investment policy, THDA typically invests in short-term and long-term fixed-rate debt securities from federal agencies. As a benchmark, THDA uses the one-, three- and five-year Constant Maturity Treasury rates as established by the United States Treasury.

The continuation of relatively low interest rates from a historic perspective increases the likelihood of negative arbitrage, in which the interest rates on THDA's bond issues exceeds the current investment interest rates. THDA monitors prepayments and bond investment yields, and seeks to reduce negative arbitrage by calling bonds with the funds from prepayments.

Single-Family Mortgage Secondary Market Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a "seller/servicer." To provide capital for this program, THDA has entered into a revolving line of credit facility, whereby funds are drawn from the line of credit provider to purchase such mortgages. THDA repays these funds when THDA sells these loans on the secondary market.

Contacting THDA's Financial Management

This financial report is designed to provide THDA's stakeholders with a general overview of THDA's finances and to show accountability for the funds that it receives, invests, and expends. If you have questions about this report or need additional financial information, contact Michell Bosch, Chief Financial Officer, at (615) 815-2011 or via e-mail at MBosch@thda.org.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2024
(Expressed in Thousands)

ASSETS

Current assets:	
Cash and cash equivalents (Note 2)	\$ 605,082
Investments (Note 2)	296,662
Receivables:	
Accounts	17,795
Interest	16,799
Loans held for resale	6,902
First and second mortgage loans	82,550
Due from federal government	55,300
Due from other state funds	768
	<u>1,081,858</u>
Total current assets	
Restricted assets:	
Cash and cash equivalents (Note 2)	37,874
Investments (Note 2)	123,359
Investment interest receivable	437
Investments (Note 2)	174,887
First mortgage loans receivable	3,085,918
Allowance for non-performing 1st mortgage loans	(243)
Second mortgage loans receivable	123,574
Allowance for uncollectable second mortgages	(4,925)
Unamortized Service Release Premium of In House Mortgages	27,201
Unearned service release premium	1,704
Advance to local government	3,146
Net pension asset (Note 5)	45
Capital assets:	
Furniture and equipment	15,672
Less accumulated depreciation	(11,077)
	<u>3,577,572</u>
Total noncurrent assets	
Total assets	<u>4,659,430</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred amount on refundings	24
Deferred outflows related to pensions (Note 5)	5,963
Deferred outflows related to OPEB (Note 8)	310
Deferred outflows related to defeased bonds (Note 3)	885
	<u>7,182</u>
Total deferred outflows of resources	

LIABILITIES

Current liabilities:	
Accounts payable	54,681
Accrued payroll and related liabilities	1,146
Compensated absences (Note 3)	1,470
Due to primary government	94
Interest payable	63,630
Escrow deposits (Note 3)	18,601
Prepayments on mortgage loans	2,109
Line of Credit Payable	6,817
Bonds payable (Note 3)	121,015
	<u>269,563</u>
Total current liabilities	
Noncurrent liabilities:	
Bonds payable (Note 3)	3,604,128
Compensated absences (Note 3)	1,609
Net pension liability (Note 5)	4,618
Total OPEB liability (Note 8)	662
Escrow deposits (Note 3)	16,423
Arbitrage rebate payable	597
Unearned revenue (Note 3)	132,596
	<u>3,760,633</u>
Total noncurrent liabilities	
Total liabilities	<u>4,030,196</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions (Note 5)	146
Deferred inflows related to OPEB (Note 8)	1,385
	<u>1,531</u>
Total deferred inflows of resources	

NET POSITION

Investment in capital assets	4,595
Restricted for single family bond programs (Note 4))	559,095
Restricted for grant programs (Note 4)	19,215
Restricted for Homebuyers Revolving Loan Program (Note 4)	3,153
Restricted for net pension asset (Note 5)	45
Unrestricted (Note 4)	48,782
	<u>634,885</u>
Total net position	<u>\$ 634,885</u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

OPERATING REVENUES	
Mortgage interest income	\$ 137,679
Investment income:	
Interest	20,198
Net increase in the fair value of investments	17,319
Federal grant administration fees	22,582
Fees and other income	18,971
Changes due to uncollectible debt allowances (Note 11)	<u>37,043</u>
Total operating revenues	<u>253,792</u>
OPERATING EXPENSES	
Salaries and benefits	33,491
Contractual services	16,658
Materials and supplies	2,325
Rentals and insurance	40
Other administrative expenses	830
Other program expenses	10,404
Interest expense	108,752
Issuance costs	7,820
Amortization: service release premium	61
Depreciation	<u>1,902</u>
Total operating expenses	<u>182,283</u>
Operating income	<u>71,509</u>
NONOPERATING REVENUES (EXPENSES)	
Federal grants revenue	501,127
Payment from primary government (Note 9)	897
Federal grants expenses	(501,033)
Local grants expenses	<u>(9,045)</u>
Total nonoperating revenues (expenses)	<u>(8,054)</u>
Change in net position	<u>63,455</u>
Total net position, July 1	571,430
Total net position, June 30	<u>\$ <u>634,885</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

Cash flows from operating activities:	
Receipts from customers	\$ 434,461
Receipts from federal government	22,430
Other miscellaneous receipts	57,893
Acquisition of mortgage loans	(734,868)
Payments to suppliers	(22,383)
Payments to or for employees	<u>(33,809)</u>
Net cash used by operating activities	<u>(276,276)</u>
Cash flows from non-capital financing activities:	
Operating grants received	503,890
Receipts from primary government	897
Proceeds from sale of bonds	1,138,941
Operating grants paid	(507,024)
Cost of issuance paid	(7,820)
Principal payments	(223,835)
Interest paid	<u>(98,829)</u>
Net cash provided by non-capital financing activities	<u>806,220</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	<u>(1,122)</u>
Net cash used for capital and related financing activities	<u>(1,122)</u>
Cash flows from investing activities:	
Proceeds from sales and maturities of investments	259,854
Purchases of investments	(579,008)
Investment interest received	19,403
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	<u>7,910</u>
Net cash used for investing activities	<u>(291,841)</u>
Net increase in cash and cash equivalents	236,981
Cash and cash equivalents, July 1	<u>405,975</u>
Cash and cash equivalents, June 30	<u>\$ 642,956</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

Reconciliation of operating income to	
net cash used by operating activities:	
Operating income	\$ <u>71,509</u>
Adjustments to reconcile operating income to	
net cash used by operating activities:	
Depreciation	1,902
Changes in assets, liabilities, and deferrals:	
Accounts receivable	4,044
Mortgage interest receivable	(3,737)
Other receivables	(2,667)
Unearned service release premium	(985)
Pension asset	122
Deferred pension outflows	342
Deferred OPEB outflows	(61)
Loans held for resale	(2,242)
Mortgage loans receivable	(440,616)
Due from federal government	(152)
Accounts payable	19,899
Accrued payroll / compensated absences	1,111
Due to primary government	(7)
Unearned revenue	(9,901)
Line of credit payable	6,817
Arbitrage rebate liability	523
Pension liability	(423)
OPEB liability	(457)
Deferred pension inflows	(395)
Deferred OPEB inflows	42
Investment income included as operating revenue	(37,516)
Interest expense included as operating expense	108,752
Issuance cost included as operating expense	<u>7,820</u>
Total adjustments	<u>(347,785)</u>
Net cash used by operating activities	\$ <u><u>(276,276)</u></u>
Noncash investing, capital, and financing activities:	
Decrease in fair value of investments	\$ <u>3,681</u>
Total noncash investing, capital, and financing activities	\$ <u><u>3,681</u></u>

The Notes to the Financial Statements are an integral part of this statement.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The Tennessee Housing Development Agency (THDA) was created by an act of the legislature (Chapter 241, Public Acts, 1973). The act was approved by the Governor on May 14, 1973. The enabling legislation can be found in Section 13-23-101 et seq. *Tennessee Code Annotated*. The purpose of the agency is to improve housing and living conditions for lower- and moderate-income persons and families in Tennessee by making loans and mortgages to qualified sponsors, builders, developers, and purchasers of low- and moderate-income family dwellings.

The agency is governed by a board of directors. The Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of the Department of Finance and Administration, and a Staff Assistant to the Governor serve as ex officio board members of the agency. The remaining members are appointed by the Governor, the Speaker of the State Senate, and the Speaker of the State House of Representatives. Board members are to be representatives of the housing, real estate, or home building industries; the mortgage profession; local governments; or one of the three grand divisions of the state and must be knowledgeable about the problems of inadequate housing conditions in Tennessee. One member of the board is a resident board member as required by Section 505 of the Quality Housing and Work Responsibility Act of 1998 and Title 24, *Code of Federal Regulations*, Part 964, Subpart E. Section 13-23-101 et seq., *Tennessee Code Annotated*, was amended to revise the composition of the board of directors, effective July 1, 2013.

In order to accomplish its objectives, the agency is authorized to raise funds through the issuance of bonds and notes. Bonds and notes issued by the agency are not general obligations of the State of Tennessee or any of its political subdivisions, and neither the faith and credit nor the taxing power of the state or any political subdivision is pledged for payment of the principal or interest on such bonds or notes.

THDA is a component unit of the State of Tennessee. Although the agency is a separate legal entity, the state appoints a majority of its governing body and approves its operating budget. The agency is discretely presented in the *Tennessee Annual Comprehensive Financial Report*.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Certain accounting policies and procedures are stipulated in the agency's Mortgage Finance Program, Single Family Program, Housing Finance Program, and General Residential Finance Program bond resolutions and the Single Family Mortgage Notes trust indenture. The agency

Notes to the Financial Statements (Continued)

follows these procedures in establishing and maintaining the various funds and accounts for its programs. Revenues and expenses applicable to each fund and account are recorded therein.

Basis of Accounting and Measurement Focus

The accompanying financial statements have been prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this basis, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. When both restricted and unrestricted resources are available for use, it is the agency's policy to use the restricted resources first. All significant interfund transactions have been eliminated.

Capital Assets

Capital assets, which include furniture and office equipment, are defined by the agency as assets with an initial, cost of \$5,000 or more.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives of the assets.

<u>Description</u>	<u>Estimated Life</u>
Furniture	10 years
Computer equipment	3 years

Restricted Assets

Restricted assets are comprised of the Debt Service Reserve Funds; Bond Reserve Funds; the Tax and Insurance Holding/Escrow account; Funds on deposit for, or on behalf of, borrower's related to Loan Servicing; and Net Pension Assets (see note 4).

The bond resolutions require the agency to establish a Debt Service Reserve Fund or a Bond Reserve Fund for each bond issue. The bond resolutions require that if the Debt Service and Expense Funds or the Revenue Funds of a bond issue are not sufficient to provide for interest or principal and sinking fund requirements of that issue that funds be transferred from the Debt Service Reserve Fund or the Bond Reserve Fund to cover any deficiency.

The Tax and Insurance Holding/Escrow account is used to service mortgage accounts. These funds are tax and insurance escrows held on behalf of various mortgagors from payments collected on mortgages. The agency is obligated to expend these monies on escrowed items. The Payment Clearing and Disbursement accounts are also used to service mortgages.

Deferred Amount on Refundings and Bond Premiums and Discounts

Deferred Amounts on Refundings: The agency amortizes the deferred amount on refundings using the straight-line method.

Notes to the Financial Statements (Continued)

Bond Premiums and Discounts: Bond premiums and discounts are deferred and amortized over the life of the bonds using the interest method. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Cash and Cash Equivalents

In addition to demand deposits and deposits in the pooled investment fund administered by the State Treasurer, this classification includes short-term investments with original maturities of three months or less from the date of acquisition.

Other Receivables

Amounts reported as Other Receivables are for amounts related to acquiring servicing rights from THDA's partners. Beginning in fiscal year 2018, THDA began direct servicing of first and second mortgage loans in which THDA purchased from an approved THDA Originating Agent. In association with the purchase of these loans, and in association with typical industry practices, THDA paid 1% of the loan purchase amount to the Originating Agent that was intended to function as a "service release premium." In fiscal year 2019, THDA reacquired servicing rights from approved THDA mortgage loan servicers, which in certain situations resulted in the payment of a Servicing Reclamation Price to the existing servicer. Such amounts are reported as Other Receivables, and are amortized based on the interest method over the life of the respective loans.

Investments

The agency has established guidelines for its funds to meet the requirements of the bond resolutions and to comply with the statutes of the State of Tennessee. Permitted investments include the following: direct obligations of the U.S. Treasury and U.S. Agencies, obligations guaranteed by the U.S federal government, public housing bonds secured by contracts with the U.S federal government, direct and general obligations of the State of Tennessee or obligations guaranteed by the State of Tennessee, obligations of other states or instrumentalities thereof which are rated in either of the two highest rating categories by Moody's Investor Service or Standard & Poor's Global Ratings, interest bearing time or demand deposits, collateralized certificates of deposit in authorized state depositories, and repurchase agreements collateralized by authorized securities.

Investments are stated at fair value, except for repurchase agreements, which are reported at cost.

Accrual of Interest Income

Interest on first mortgage loans receivable and investment securities is credited to income as earned and classified as interest receivable.

Mortgages

Mortgages are carried at their original amount less collected principal.

Notes to the Financial Statements (Continued)

Secondary Market Mortgage Program

During fiscal year 2020, THDA implemented a secondary market mortgage program. In addition to the Mortgage Revenue Bond single-family mortgage products currently offered, THDA will purchase certain single-family mortgage loans from lenders with the intention of selling such mortgages on the secondary market. THDA intends to retain the servicing rights for these mortgages as a “seller/servicer.” To provide capital for this program, THDA has entered into a revolving Line of Credit facility, whereby funds are drawn from the Line of Credit provider to purchase such mortgage. THDA repays these funds when THDA sells the purchased loans on the secondary market.

Loans Held for Resale

Amounts reported as Loans Held for Resale represent mortgage loans that the Agency has the ability and intent to sell within the foreseeable future. These mortgages are carried at their original amount less collected principal.

Operating Revenues and Expenses

The agency was created with the authority to issue bonds to the investing public in order to create a flow of private capital through the agency into mortgage loans to certain qualified individuals and qualified housing sponsors. The agency’s primary operation is to borrow funds in the bond market and issue those funds to make single-family and multi-family loans. The primary operating revenue is the interest income on outstanding mortgages and the investment income from proceeds of bonds. The primary operating expense of the agency is the interest expense on bonds outstanding. The primary non-operating revenue is federal grants revenue. The primary non-operating expense is federal grants expense.

Allowance for Forgivable Second Mortgages

THDA has offered the Down Payment Assistance product for several years. Beginning in October 2014, THDA introduced an interest-free forgivable second mortgage loan, of which 100% of the original principal amount is repayable to THDA if the loan is repaid within 10 years of the origination date. Beginning on the 11th anniversary of the origination date, 20% of the original principal amount will be forgiven. The amount of forgiveness increases an additional 20% on the loan anniversary thereafter. On the 15th anniversary of the origination date, 100% of the original principal amount becomes forgiven. Beginning in April 2017 this product changed to 100% forgivable second mortgage loan for the 30-year term of the first mortgage. It is 100% repayable in the event the home is sold, refinanced or owners move out of the home.

Because of the likelihood that some amount of the original amount will be forgiven in the course of time, or not recovered due to foreclosure, an allowance account has been established for those loans that may enter the forgivable period or for loss due to foreclosure. During the fiscal year 2020, the agency determined that an amount of second mortgage down payment assistance loans are not expected to be recovered due to forgiveness or foreclosure. This amount was recorded as an allowance.

Notes to the Financial Statements (Continued)

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State of Tennessee Postemployment Benefit Trust (OPEB Trust), that services the Employee Group OPEB Plan (EGOP), and additions to/deductions from the OPEB Trust fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust. For this purpose, the OPEB Trust recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. This trust meets the criteria in paragraph 4 of Statement No. 75.

Note 2. Deposits and Investments

Deposits

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the agency's deposits may not be returned.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. The agency's bond resolutions require deposits to be fully secured.

The agency's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer, except as noted below. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

On June 30, 2024, the bank balance was \$43,711,869.55. This amount includes \$29,470,242.48; which is held in a taxes and insurance escrow account to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to THDA serviced loans; \$1,034,234.81 which is held in various accounts to pay taxes, insurance and mortgage insurance premiums on the

Notes to the Financial Statements (Continued)

mortgagor's behalf related to Freddie Mac serviced loans and \$603,025.68 held in various accounts to pay taxes, insurance and mortgage insurance premiums on the mortgagor's behalf related to Ginnie Mae Mortgage Backed Securities serviced loans. All bank balances at June 30, 2024, were insured.

Investments

As stated in the agency's investment policy, the "prudent person rule" shall be the standard of prudence used by all officials responsible for the investment of assets. Investments are made as a prudent person would be expected to act in the management of his or her own affairs, with consideration of the safety of capital and the probability of income, and avoidance of speculative investments.

The agency's investment policy states that the agency's portfolios will be diversified in order to reduce the risk of loss resulting from concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. The agency may invest 100% of its portfolio in U.S. government securities. A minimum of 5% of the daily fair market value of THDA total investments must mature within 5 years. No more than 50% of the daily fair market value of the combined portfolios can be invested in maturities greater than 15 years without approval of the Bond Finance Committee.

Portfolio maturities shall be staggered in a way that avoids undue concentrations of assets in a specific maturity sector. Maturities shall be selected which provide for stability of income and reasonable liquidity. It is the intent of this policy that sufficient investments be scheduled to mature to provide for the required liquidity for debt service and other expenditures per resolution requirements.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

Notes to the Financial Statements (Continued)

June 30, 2024

Investment Type	Fair Value <i>(in thousands)</i>	Effective Duration Unless Otherwise Noted <i>(Years)</i>
U.S. Agency Coupon	\$150,326	0.903
U.S. Treasury Coupon	0	0.000
U.S. Agency Discount	698,726	0.131
Government Mortgage-Backed Securities*	172,598	6.046
Total	\$1,021,650	

* = Modified Duration was used in the place of Effective Duration on Pass Through investments where average life was used instead of PSA speed

Fair Value Measurements – THDA implemented GASB Statement No. 72, *Fair Value Measurement and Application*. GASB No. 72 was issued to address accounting and financial reporting issues related to fair value measurements. THDA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. THDA has the following recurring fair value measurements as of June 30, 2024, (expressed in thousands):

Assets by Fair Value Level	June 30, 2024			
	Total Assets at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. Agency Coupon	\$150,326		\$150,326	\$ -
U.S. Treasury Coupon	0.00		-	-
U.S. Agency Discount	698,726		698,726	-
Government Mortgage - Backed Securities	172,598	172,598	172,598	-
Total debt securities	\$1,021,650	1,021,650	1,021,650	\$ -

Assets classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets as those securities. Assets classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar assets as those securities. Level 3 valuations are derived from valuation techniques in which significant inputs are unobservable.

Credit Risk – Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Refer to the Investments section of Note 1 for further explanation of the agency’s permitted investments. Credit quality ratings for the agency’s investments as of June 30, 2024, are included in the schedules below. Securities are rated using Nationally Recognized Statistical Rating Organizations (NRSRO) and are presented below (expressed in thousands).

Notes to the Financial Statements (Continued)

Investment Type	June 30, 2024				
	Fair Value	U.S. Treasury	AAA	AA+	Not Rated
U.S. Agency Coupon	\$150,326	\$ -	\$ -	\$ 150,326	
U.S. Agency Discount	698,726	-	698,726	-	
Government Mortgage-					
Backed Securities	172,598	-	-	172,598	
Total	\$1,021,650		\$698,726	\$ 322,924	

In addition to these investments, the agency has \$35,258,142.42 invested in a money market fund. This fund is measured at amortized cost and has a Standard and Poor's rating of AAA.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the agency's investment in a single issuer.

Issuer	<i>(Fair Value in thousands)</i>	Portfolio
Federal Home Loan Bank	\$ 679,802	66.54
Federal Home Loan Mortgage Corp	91,364	8.94
Federal National Mortgage Association	145,500	14.24
Government National- Mortgage Association	104,984	10.28
Total	\$1,021,650	100%

GASB 79 Disclosures – During fiscal year 2016, THDA implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The State of Tennessee, by law, requires that THDA participate in the State Pooled Investment Fund (SPIF). SPIF values financial instruments at amortized cost.

Notes to the Financial Statements (Continued)

Note 3. Liabilities

Bonds Issued and Outstanding

Housing Finance Program Bonds

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2024 (Thousands)
2015-A	1/1/2016 – 7/1/2045	150,000	0.30 to 3.85	33,560
Total Housing Finance Program Bonds		\$150,000		\$33,560
Plus: Unamortized Bond Premiums				436
Net Housing Finance Program Bonds				\$33,996

Residential Finance Program

Series	Maturity Range	Issued Amount (Thousands)	Interest Rate (Percent)	Ending Balance 6/30/2024 (Thousands)
2013-1	1/1/2014 – 7/1/2043	\$ 215,905	0.40 to 4.00	\$ 23,025
2013-2	7/1/2014 – 7/1/2043	121,300	0.45 to 4.65	20,355
2014-1	1/1/2015 – 7/1/2039	150,000	0.32 to 4.00	27,335
2014-2	7/1/2015 – 7/1/2045	150,000	0.25 to 4.00	37,500
2015-1	1/1/2016 – 7/1/2045	150,000	0.50 to 4.05	40,650
2015-2	7/1/2016 – 1/1/2046	175,000	0.40 to 4.00	48,585
2016-1	1/1/2017 – 1/1/2047	125,000	0.625 to 3.50	44,045
2016-2	7/1/2017 – 1/1/2047	125,000	0.72 to 3.50	45,910
2016-3	7/1/2017 – 7/1/2031	62,000	1.00 to 3.50	9,130
2017-1	1/1/2018 – 7/1/2042	100,000	0.95 to 4.00	23,890
2017-2	1/1/2018 – 1/1/2042	175,000	0.90 to 4.00	61,785
2017-3	7/1/2018 – 1/1/2048	99,900	0.80 to 3.65	44,495
2017-4	7/1/2018 – 7/1/2048	99,900	0.95 to 4.00	48,935
2018-1	1/1/2019 – 1/1/2043	99,900	1.40 to 4.00	44,030
2018-2	1/1/2019 – 1/1/2049	160,000	1.75 to 4.00	75,435
2018-3	7/1/2019 – 7/1/2049	149,900	1.50 to 4.25	79,330
2018-4	7/1/2019 – 7/1/2049	225,000	1.875 to 4.50	112,790
2019-1	1/1/2020 – 1/1/2050	175,000	1.60 to 4.25	98,575
2019-2	1/1/2020 – 1/1/2048	200,000	1.40 to 4.00	117,930
2019-3	7/1/2020 – 1/1/2050	150,000	1.10 to 3.75	94,460
2019-4	7/1/2020 – 1/1/2050	200,000	1.20 to 3.50	126,470
2020-1	1/1/2021 – 7/1/2050	200,000	0.80 to 3.75	128,945
2020-2	1/1/2021 – 7/1/2040	108,500	1.08 to 4.00	39,470
2020-3	1/1/2021 – 7/1/2050	145,000	0.80 to 3.50	107,695
2020-4	7/1/2021 – 1/1/2051	145,000	1.50 to 3.00	112,430
2021-1	1/1/2022 – 7/1/2051	149,990	0.20 to 3.00	126,545
2021-2	7/1/2022 – 1/1/2052	99,990	0.13 to 3.00	90,950
2021-3	7/1/2022 – 1/1/2052	170,000	0.20 to 3.00	72,930
2022-1	1/1/2023 – 7/1/2052	175,000	1.25 to 5.00	161,130
2022-2	1/1/2023 – 1/1/2053	149,990	1.75 to 5.00	145,280
2022-3	7/1/2023 – 1/1/2053	160,000	3.00 to 5.50	156,240

Notes to the Financial Statements (Continued)

2023-1	1/1/2024 – 7/1/2054	140,000	.80 to 5.756	138,025
2023-2	7/1/2024 – 1/1/2054	235,000	3.20 to 6.00	233,910
2023-3	7/1/2024 – 1/1/2054	360,000	3.90 to 6.534	359,435
2024-1	1/1/2025 – 1/1/2055	270,000	3.05 to 6.25	270,000
2024-2	1/1/2025 – 1/1/2055	255,000	3.30 to 6.25	255,000
Total Residential Finance Program Bonds		\$5,872,275		\$3,622,645
Plus: Unamortized Bond Premiums				68,782
Subtract: Unamortized Bond Discount				(280)
Net Residential Finance Program Bonds				\$3,691,147
Net Total All Bonds				\$3,725,143

Debt Service Requirements

Debt service requirements to maturity at June 30, 2024, are as follows (expressed in thousands):

For the Year(s) Ending June 30	Principal	Interest	Total Requirements
2025	72,055	137,202	209,257
2026	122,415	144,838	267,253
2027	125,505	141,271	266,776
2028	125,720	137,492	263,212
2029	128,940	133,500	262,440
2030 – 2034	609,035	602,576	1,211,611
2035 – 2039	581,095	496,074	1,077,169
2040 – 2044	646,230	373,276	1,019,506
2045 – 2049	688,445	231,290	919,735
2050 – 2054	521,680	81,169	602,849
2055	35,085	1,586	36,671
Total	\$3,656,205	\$2,480,274	\$6,136,479

The agency's bond resolutions govern the outstanding bonds payable for all bond programs in the amount of \$3,656,205 (expressed in thousands). The bond resolutions contain a provision that in an event of default, the trustee can declare all bonds due and payable and can sell program loans and investment securities for payments to bondholders.

The outstanding bonds payable of \$3,656,205 (expressed in thousands) are secured by a pledge of all assets in each of the respective bond resolutions.

The Agency has a line of credit in the amount of \$75,000,000. The unused portion as of June 30, 2024 is \$68,073,331.

Redemption of Bonds and Notes

During the year ended June 30, 2024, bonds were retired at par before maturity in the Housing Finance Program in the amount of \$4,770,000 and in the Residential Finance Program in the amount of \$162,235,000. The respective carrying values of the bonds were \$4,933,652 and

Notes to the Financial Statements (Continued)

\$168,543,566. This resulted in revenue to the Housing Finance Program of \$163,652 and to the Residential Finance Program of \$6,308,566.

On July 25, 2023 the agency sold \$235,000,000 in Residential Finance Program Bonds, Issue 2023-2.

On November 8, 2023 the agency issued \$360,000,000 in Residential Finance Program Bonds, Issue 2023-3.

On March 21, 2024 the agency issued \$270,000,000 in Residential Finance Program Bonds, Issue 2024-1.

On June 25, 2024 the agency issued \$255,000,000 in Residential Finance Program Bonds, Issue 2024-2.

Long-term Liability Activity

The following table is a summary of the long-term liability activity for the year ended June 30, 2024 (expressed in thousands).

Long Term Liability	Beginning Balance July 1, 2023	Additions	Reductions	Ending Balance June 30, 2024	Amounts Due Within One Year*
Bonds Payable	\$2,760,040	\$1,120,000	(\$223,835)	3,656,205	\$121,015
Plus: Unamortized Bond Premiums	60,017	18,914	(9,713)	69,218	-
Less: Unamortized Bond Discounts	(314)	-	34	(280)	-
Compensated Absences	2,168	1,576	(665)	3,079	1,470
Escrow Deposits	32,255	108,756	(105,987)	35,024	18,601
Unearned Revenue	142,498	11,473	(21,375)	132,596	-
Arbitrage Rebate Payable	74	523	(-)	597	-
Total	\$2,996,738	\$1,261,242	(\$361,541)	\$3,896,439	\$141,086

*Amounts due within one year include management authorized bond refundings at June 30.

Note 4. Restricted Net Position

The amount shown on the statement of net position as Restricted for Single Family Bond Programs is contractually pledged, under the bond resolutions of the agency, to the owners of the bonds issued under such bond resolutions. As pledged assets, the contractual provisions of the bond resolutions restrict the use of such assets. However, the assets may be removed from the lien of the bond resolutions if certain parity tests, as established by the respective bond resolutions, are

Notes to the Financial Statements (Continued)

satisfied. Assets removed from the lien of the respective bond resolutions may be used for other purposes.

The amount shown as Restricted for Grant Programs represents unexpended grant money that has been awarded to grantees through various grant programs administered by the agency.

The amount shown as Restricted for Homebuyers Revolving Loan Program represents the amount of net position restricted for a pilot program that funds zero interest loans for down payment and closing costs. The use of this net position is restricted under legislation enacted in fiscal year 1986.

Note 5. Pension Plans

Closed State and Higher Education Employee Pension Plan

General Information about the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of Member's Highest
Compensation for 5 Consecutive Years (up to Social Security Integration Level) x 1.50% x Years of Service Credit x 105%

Plus:

Notes to the Financial Statements (Continued)

Average of Member's Highest
Compensation for 5 Consecutive Years x 1.75% x Years of Service Credit x 105%
(over Social Security Integration Level)

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. THDA employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. In fiscal year 2024, the state made a one-time direct contribution of \$300 million to the plan. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2024, to the Closed State and Higher Education Employee Pension Plan, including \$1,232,823.08, its share of the one-time direct contribution mentioned, were \$3,191,549.85 which was 35.77% of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2024, THDA reported a liability of \$4,618,185.44 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. THDA's proportion of the net pension liability was based on the proportion of THDA's contributions during the year ended June 30, 2023, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2023, measurement date, THDA's proportion was 0.418332%. The proportion measured as of June 30, 2022, was 0.423141%.

Pension expense – For the year ended June 30, 2024, THDA recognized a pension expense of \$3,010,994. Allocated pension expense was \$3,092,008.12 before being decreased by \$81,014.21 due to a change in proportionate share.

Notes to the Financial Statements (Continued)

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2024, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,503	\$ -
Net difference between projected and actual earnings on pension plan investments	542	-
Change in proportionate share of net asset or liability	12	17
Changes in assumptions	-	-
Contributions subsequent to the measurement date of June 30, 2023	3,192	-
	\$5,249	\$17
Total	\$5,249	\$17

Deferred outflows of resources, resulting from contributions of \$3,192 thousand subsequent to the measurement date will be recognized as reduction to net pension liability in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows: (expressed in thousands):

Year Ended June 30:	
2025	1,074
2026	(717)
2027	1,679
2028	4
Thereafter	-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability as of the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Notes to the Financial Statements (Continued)

Cost of living adjustment 2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blend of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements (Continued)

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what THDA’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$14,594,516	\$4,618,185	\$(3,739,756)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2024, THDA reported a payable of \$77,233 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2024.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description – State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Employee Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*.

The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service

Notes to the Financial Statements (Continued)

credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation by 1% multiplied by member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and years of service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary. The THDA makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by THDA for the year ended June 30, 2024, to the State and Higher Education Employee Retirement Plan were \$382,645, which is 2.57% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2024, THDA reported an asset of \$45,172 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. THDA's proportion of the net pension asset was based on a projection of THDA's contributions during the year ended June 30, 2023, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2023, measurement date, THDA's proportion was 0.627143%. The proportion measured as of June 30, 2022, was 0.671072%.

Notes to the Financial Statements (Continued)

Pension expense – For the year ended June 30, 2024, THDA recognized a pension expense of \$270,138. Allocated pension expense was \$286,321 before being decreased by \$16,183 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2024, THDA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$144	\$43
Net difference between projected and actual earnings on pension plan investments	53	-
Changes in proportion of share of net asset or liability	25	86
Changes in assumptions	108	-
Tennessee Housing Development Agency contributions subsequent to the measurement date of June 30, 2023	383	-
Total	\$713	\$129

Deferred outflows of resources, resulting from THDA's employer contributions of \$382,645 subsequent to the measurement date will be recognized as a decrease in net pension liability or a increase in net pension asset in the following measurement period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year Ended June 30:</u>	
2025	15
2026	7
2027	88
2028	16
2029	35
Thereafter	42

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Notes to the Financial Statements (Continued)

Actuarial assumptions – The total pension liability as of the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2021, with generational projection.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a comparison of historical market returns and future capital market projections.

Notes to the Financial Statements (Continued)

Discount rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all participating employers will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members and to cover administrative expenses. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents THDA’s proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what THDA’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Tennessee Housing Development Agency’s proportionate share of the net pension liability (asset)	\$1,024,111	\$(45,172)	\$(849,475)

Pension plan fiduciary net position – Detailed information about the plan’s fiduciary net position is available separately issued TCRS financial report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Payable to the Pension Plan

At June 30, 2024, THDA reported a payable of \$16,717 for the outstanding amount of legally required contributions to the pension plan required for the year ended June 30, 2024.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2024, for both defined benefit pension plans was \$3,281,132.

Note 6. Deferred Compensation Plans

The Tennessee Housing Development Agency, through the State of Tennessee, offers employees two deferred compensation plans, one established pursuant to Internal Revenue Code (IRC), Section 457, and the other pursuant to IRC, Section 401(k). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the

Notes to the Financial Statements (Continued)

responsibility of plan participants. Section 401(k) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 457 plan is voluntary for employees. The Tennessee Housing Development Agency provides up to a \$100 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in both plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for either plan.

The Tennessee Housing Development Agency recognized a pension expense of \$1,020,190 for employer contributions.

The Tennessee Housing Development Agency recognized a pension payable of \$45,405 for employer contributions.

Note 7. Insurance-Related Activities

Commercial Insurance

The agency carries commercial insurance for risks of loss related to employee dishonesty; general liability protection; cyber liability losses; and theft of, damage to, or destruction of real and personal property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Risk Management Fund

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is \$300,000 per person and \$1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state self-insures against property and cyber liability losses through the RMF and the State of Tennessee Captive Insurance Company (TCIC). The state purchases commercial insurance for real property crime and fidelity coverage on the state's officials and employees above the limits of the RMF and TCIC. For property coverage, the deductible for an individual state agency is the first

Notes to the Financial Statements (Continued)

\$25,000 to \$75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three year period and the type of loss. The RMF is responsible for property losses of \$2.5 million per occurrence for all perils. The TCIC is responsible for property losses in excess of the RMF limits up to an annual aggregate of \$25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of \$600 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per year. The maximum earthquake insurance coverage is \$50 million per year. For cyber coverage, the RMF is responsible for \$1.5 million per occurrence. The TCIC is responsible for losses in excess of the RMF limits up to an aggregate of \$10 million. Settled claims resulting from these risks have not exceeded maximum insurance coverage in any of the past three fiscal years.

The agency participates in the Risk Management Fund, except for RMF's cyber liability coverage. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on a percentage of the agency's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2024, is presented in the *Annual Comprehensive Financial Report (ACFR)*. The ACFR is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. Since the agency participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Section 9-8-101 et seq, *Tennessee Code Annotated*. Liability for negligence of the agency for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in, Section 50-6-101 et seq, *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund. At June 30, 2024, the Risk Management Fund held \$241 million in cash designated for payment of claims.

Employee Group Insurance Fund

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The agency participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the agency based on estimates of the ultimate cost of claims, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Notes to the Financial Statements (Continued)

Note 8. Other-Postemployment Benefits OPEB

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan includes the primary government, the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rdoa/opeb22121.html>.

Benefits provided - The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 201, *Tennessee Code Annotated (TCA)*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65 are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, standard preferred provider organization (PPO) plan or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits, as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Contributions - Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Part 201, *Tennessee Code Annotated* establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2024 was \$109.5 million. The Tennessee Housing Development Agency share of the ADC was \$241 thousand. During the fiscal year the Tennessee Housing Development Agency contributed \$118 thousand to the OPEB Trust.

Notes to the Financial Statements (Continued)

The state general assembly has the authority to change the contribution requirements for the employers participating in the EGOP. The primary government made payments on behalf of Tennessee Housing Development Agency in the amount of \$883 thousand.

Net OPEB Liability

Proportionate share - The Tennessee Housing Development Agency's proportion and proportionate share of the collective net OPEB liability, related to the EGOP, is 0.165910% and \$662.0 thousand, respectively. The proportion existing at the prior measurement date was 0.158027%. This represents a change in proportion of 0.007883% between the current and prior measurements dates. Tennessee Housing Development Agency's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2023, and measurement date of June 30, 2023.

Actuarial assumptions - The collective total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.31% for 2024, decreasing annually to an ultimate rate of 4.5% for 2035 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the

Notes to the Financial Statements (Continued)

probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Long-term Expected Rate of Return- The long-term expected rate of return of 6% on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Title 8, Chapter 27, Part 802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

<u>Asset Class</u>	<u>Allocation Range</u>		<u>Target Allocation</u>
	<u>Minimum</u>	<u>Maximum</u>	
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

Notes to the Financial Statements (Continued)

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.65%
Developed market international equity	4.55%
Emerging market international equity	4.94%
Cash (government)	1.32%
Private equity and strategic lending	5.43%
U.S. fixed income	2.59%
Real estate	4.16%

Discount rate - The discount rate used to measure the total OPEB liability was 6.00%. This was the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The mortality scale was updated from MP2020 to MP2021. This change increased the liability by .05%. The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. These changes decreased the liability by 8.2%.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5%) or 1-percentage-point higher (7%) than the current discount rate (expressed in thousands).

	1% Decrease (5.00%)	Discount Rate (6.00%)	1% Increase (7.00%)
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$ 742	\$ 662	\$ 428

Notes to the Financial Statements (Continued)

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents Tennessee Housing Development Agency's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (9.31% decreasing to 3.50%) or 1-percentage-point higher (11.31% decreasing to 5.50%) than the current healthcare cost trend rate (expressed in thousands).

	Healthcare Cost Trend Rates		
	1% Decrease <i>(9.31% decreasing to 3.50%)</i>	<i>(10.31% decreasing to 4.50%)</i>	1% Increase <i>(11.31% decreasing to 5.50%)</i>
Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$ 368	\$ 662	\$ 823

OPEB Expense – For the fiscal year ended June 30, 2024, the Tennessee Housing Development Agency recognized negative OPEB expense of \$357 thousand.

Deferred outflows of resources and deferred inflows of resources - For the fiscal year ended June, 30, 2024, Tennessee Housing Development Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 85
Changes of assumptions	170	176
Net difference between actual and projected investment earnings	21	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	-	1,124
Contributions subsequent to the measurement date	119	
Total	<u>\$ 310</u>	<u>\$ 1,385</u>

The amounts shown above for “contributions subsequent to the measurement date” will be recognized as a reduction to the collective net OPEB liability in the following measurement period.

Notes to the Financial Statements (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows (expressed in thousands):

For the year ended June 30:

2025	(466)
2026	(452)
2027	(140)
2028	(108)
2029	(28)
Thereafter	-

In the tables above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General information about the OPEB plan

Plan description – Employees of the Tennessee Housing Development Agency, who were hired prior to July 1, 2015 and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government) as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University and Community College System also participates in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state administered Teacher Group Insurance and Local Government Group Insurance Plans.

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Title 8, Chapter 27, Parts 201, 301, and 701,

Notes to the Financial Statements (Continued)

Tennessee Code Annotated. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. Tennessee Housing Development Agency does not provide any subsidies for retirees in the TNP. The primary government paid \$13,900 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Title 8, Chapter 27, Parts 201, 301, and 70, *Tennessee Code Annotated*, determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government is entirely responsible for the Closed TN OPEB Plan liability associated with the Tennessee Housing Development Agency’s employees. The primary government’s proportion and proportionate share of the total OPEB liability associated with the Tennessee Housing Development Agency was \$309 thousand. At the June 30, 2023, measurement date, the proportion of the collective total OPEB liability associated with the Tennessee Housing Development Agency was 0.1979%. This represents a change of 0.0125% from the prior proportion of 0.1854%. The Tennessee Housing Development Agency’s proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2023, and a measurement date of June 30, 2023.

Actuarial assumptions – The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%

Notes to the Financial Statements (Continued)

Healthcare cost trend rates The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016, through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.65%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index. This is a change of .11% from the prior year discount rate of 3.54%.

Changes in assumptions - The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability by 1.21%. The mortality scale was updated from MP2020 to MP2021. This increased the total OPEB liability by .35%. The medical and drug trend rate assumptions are updated to reflect more recent experience as of the measurement date. This has zero impact on the liability for state and component unit employees due to the flat rate subsidy offered to retirees.

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government’s proportionate share of the Tennessee Housing Development Agency’s related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate. The Tennessee Housing Development Agency does not report a proportionate share of the OPEB liability for the employees in the TNP (expressed in thousands).

1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
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Notes to the Financial Statements (Continued)

Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	\$	351	\$	309	\$	273
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OPEB expense – For the fiscal year ended June 30, 2024, the primary government recognized OPEB expense of \$5 thousand for employees of the Tennessee Housing Development Agency participating in the TNP.

Total OPEB Expense – The total negative OPEB expense for the year ended June 30, 2024 was negative \$352 thousand, which consisted of negative OPEB expense of \$357 thousand for the EGOP and \$5 thousand paid by the primary government for the TNP.

Note 9. On-Behalf Payments

During the year ended June 30, 2024, the State of Tennessee made payments of \$13,900 on behalf of THDA for retirees participating in the Closed Tennessee OPEB Plan and payments of \$883,138 on behalf of THDA for retirees participating in the Closed State Employee Group OPEB Plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 8. The plan is reported in the *Tennessee Annual Comprehensive Financial Report*.

Note 10. Payments to Primary Government

From time to time, the State of Tennessee has called upon the agency and its resources, together with resources of other departments, agencies, and organizations in state government, to provide funds to the State General Fund to balance the state budget. The following is a description of these occurrences in relationship to the agency. On June 30, 1995, \$15,000,000 from the agency's Housing Program Reserve Fund was transferred to the State General Fund. On June 30, 1998, \$43,000,000 was transferred from the agency to the State General Fund. The \$43,000,000 transferred from the agency came from the following resources of the agency: (i) \$15,459,157 from tax revenues previously directed to the Housing Program Fund; (ii) \$5,028,761 from the Housing Program Reserve Fund; and (iii) \$22,512,082 from the Assets Fund. On June 30, 2002, a transfer from the agency to the primary government in the amount of \$35,367,449 was made from the Assets Fund for the sole purpose of meeting the requirements of funding the operations of the primary government for the year ended June 30, 2002.

Note 11. Change in Estimate

In fiscal year 2024, a change in the estimated amount of uncollectible second mortgages occurred due to new information obtained via historical analysis performed during the fiscal year. The analysis determined, that 2.69% of the amortizable outstanding second mortgage balance and 5.21% of the forgivable outstanding second mortgage balance were a more appropriate estimate of the uncollectible balance.

Notes to the Financial Statements (Continued)

The outstanding loan balances at June 30, 2024 were \$63.935 million for amortizable second mortgages and \$61.523 million for forgivable second mortgages. After application of the respective percentages, a new allowance balance of \$4.925 million was calculated.

This change in allowance is reflected in the Changes due to uncollectible debt allowances revenue line on the Statement of Revenues, Expenses, and Changes in Net Position.

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Note 12. Subsequent Events

Residential Finance Program Bonds, Issue 2024-3, were authorized by the Board of Directors on July 23, 2024 not to exceed \$350,000,000. The sale of the bonds will occur no later than December 31, 2024.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Retirement Plan Within TCRS

	THDA's Proportion of the Net Pension Liability (Asset)	THDA's Proportionate Share of the Net Pension Liability (Asset)	THDA's Covered Payroll	Proportionate Share of the Net Pension Liability(Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.418332%	\$4,618	\$8,687	53.16%	94.48%
2023	0.423141%	5,041	8,826	57.12%	93.80%
2022	0.419379%	(2,566)	8,852	28.99%	103.30%
2021	0.434725%	7,122	9,623	74.01%	90.58%
2020	0.445278%	6,288	10,040	62.63%	91.67%
2019	0.433148%	6,997	10,024	69.80%	90.26%
2018	0.427994%	7,659	10,268	74.60%	88.88%
2017	0.419391%	7,652	10,240	74.73%	87.96%
2016	0.421046%	5,429	10,994	49.38%	91.26%
2015	0.429581%	2,964	11,601	25.55%	95.11%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

(Expressed in Thousands)

	THDA's Proportion of the Net Pension Asset	THDA's Proportionate Share of the Net Pension Asset	THDA's Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.627143%	\$45	\$11,479	0.39%	101.03%
2023	0.671072%	167	9,790	1.71%	104.81%
2022	0.671032%	569	8,496	6.70%	121.71%
2021	0.653018%	230	7,475	3.08%	112.90%
2020	0.628303%	261	5,893	4.43%	122.36%
2019	0.198493%	77	4,410	1.75%	132.39%
2018	0.170803%	35	3,068	1.14%	131.51%
2017	0.391715%	33	1,661	1.99%	130.56%
2016	0.451710%	13	498	2.61%	142.55%

*To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Retirement Plan Within TCRS

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2024	\$1,959	\$3,192	(\$1,233)	\$8,922	35.77%
2023	1,898	3,351	(1,453)	8,687	38.57%
2022	1,809	2,867	(1,058)	8,826	32.49%
2021	1,791	1,791	-	8,852	20.23%
2020	1,892	1,892	-	9,623	19.66%
2019	1,931	1,931	-	10,040	19.23%
2018	1,891	1,891	-	10,024	18.87%
2017	1,542	1,542	-	10,268	15.02%
2016	1,539	1,539	-	10,240	15.03%
2015	1,652	1,652	-	10,994	15.03%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Additional contributions were made to the plan by the State of Tennessee on behalf of the Tennessee Housing Development Agency for the years ended June 30, 2022, 2023, and 2024.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Pension Plan Within TCRS

(Expressed in Thousands)

	THDA's Contractually Determined Contributions	THDA's Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	THDA's Covered Payroll	Contributions as a Percentage of THDA's Covered Payroll
2024	\$383	\$383	-	\$14,899	2.57%
2023	283	283	-	11,479	2.47%
2022	182	182	-	9,790	1.86%
2021	153	153	-	8,496	1.80%
2020	129	129	-	7,475	1.73%
2019	98	98	-	5,893	1.66%
2018	57	57	-	4,410	1.29%
2017	35	35	-	3,068	1.14%
2016	47	47	-	1,661	2.83%
2015	19	19	-	498	3.82%

Notes to Schedule:

Changes of assumptions: In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of the Collective Total/Net OPEB Liability
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total/net OPEB liability	Employer proportionate share of the collective total/net OPEB liability	Covered-employee payroll	Employer proportionate share of the collective total/net OPEB liability as a percentage of covered-employee payroll	OPEB plan fiduciary net position as a percentage of the total OPEB liability
2024	0.0165901%	\$662	\$8,603	7.69%	68.40%
2023	0.158027%	1,119	8,782	12.74%	39.00%
2022	0.166138%	1,185	9,229	12.84%	39.00%
2021	0.165926%	1,389	9,903	14.03%	25.20%
2020	0.173646%	1,653	8,999	18.37%	18.00%
2019	0.241928%	3,351	9,720	34.47%	-
2018	0.266480%	3,578	10,046	35.62%	-

Notes to the Schedule

During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6 percent to 6.0 percent. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of THDA's Proportionate Share
of Collective Total OPEB Liability
Closed Tennessee OPEB Plan

(Expressed in Thousands)

	Employer proportion of the collective total OPEB liability	Primary government proportionate share of the collective total OPEB liability related to THDA	Collective total OPEB liability	Covered-employee payroll
2024	0.00%	\$309	\$309	9,440
2023	0.00%	279	279	9,625
2022	0.00%	352	352	10,020
2021	0.00%	436	436	10,457
2020	0.00%	345	345	9,529
2019	0.00%	311	311	10,005
2018	0.00%	339	339	10,046

Notes to the Schedule

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

Change of assumptions: in 2023, the discount rate changed from 2.16% to 3.54%.
 In 2024, the discount rate changed to 3.65%.

TENNESSEE HOUSING DEVELOPMENT AGENCY
Required Supplementary Information
Schedule of Contributions to the
Closed State Employee Group OPEB Plan

(Expressed in Thousands)

	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution Deficiency (Excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2024	\$241	\$118	\$123	\$8,210	1.37%
2023	250	127	123	8,690	1.46%
2022	290	130	160	8,782	1.48%
2021	362	139	223	9,229	1.51%
2020	415	142	273	9,903	1.43%
2019	373	209	164	8,999	2.32%

Notes to the Schedule

Valuation Date: Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

This schedule is intended to display 10 years of information. Additional years will be displayed as they become available.

**TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF NET POSITION
JUNE 30, 2024
(Expressed in Thousands)**

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 147,920	\$ 19,612	\$ 1,719	\$ 435,831	\$ 605,082
Investments	-	5,847	650	290,165	296,662
Receivables:					
Accounts	8,020	956	28	8,791	17,795
Interest	37	-	218	16,544	16,799
Loans held for resale	6,902	-	-	-	6,902
First and second mortgage loans	-	2,628	1,732	78,190	82,550
Due from federal government	55,300	-	-	-	55,300
Due from other state funds	768	-	-	-	768
Due from other funds	-	-	-	31,716	31,716
Total current assets	<u>218,947</u>	<u>29,043</u>	<u>4,347</u>	<u>861,237</u>	<u>1,113,574</u>
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	31,868	-	430	5,576	37,874
Investments	-	-	5,646	117,713	123,359
Investment Interest receivable	-	-	17	420	437
Investments	-	213	-	174,674	174,887
First mortgage loans receivable	8	51,896	40,016	2,993,998	3,085,918
Allowance for non-performing 1st mortgage loans	-	(17)	-	(226)	(243)
Second mortgage loans receivable	-	-	-	123,574	123,574
Allowance for uncollectable second mortgages	-	-	-	(4,925)	(4,925)
Unamortized service release premium of in house mortgages	4,285	-	-	22,916	27,201
Unearned service release premium	1,704	-	-	-	1,704
Advance to local government	3,146	-	-	-	3,146
Net pension asset	45	-	-	-	45
Capital assets:					
Furniture and equipment	15,672	-	-	-	15,672
Less accumulated depreciation	(11,077)	-	-	-	(11,077)
Total noncurrent assets	<u>45,651</u>	<u>52,092</u>	<u>46,109</u>	<u>3,433,720</u>	<u>3,577,572</u>
Total assets	<u>264,598</u>	<u>81,135</u>	<u>50,456</u>	<u>4,294,957</u>	<u>4,691,146</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	24	24
Deferred outflows related to pensions	5,963	-	-	-	5,963
Deferred outflows related to OPEB	310	-	-	-	310
Deferred outflows related to defeased bonds	-	-	-	885	885
Total deferred outflows of resources	<u>6,273</u>	<u>-</u>	<u>-</u>	<u>909</u>	<u>7,182</u>
LIABILITIES					
Current liabilities:					
Accounts payable	54,524	11	1	145	54,681
Accrued payroll and related liabilities	1,146	-	-	-	1,146
Compensated absences	1,470	-	-	-	1,470
Due to primary government	94	-	-	-	94
Interest payable	22	-	576	63,032	63,630
Escrow deposits	18,601	-	-	-	18,601
Prepayments on mortgage loans	6	-	28	2,075	2,109
Line of credit payable	6,817	-	-	-	6,817
Due to other funds	31,716	-	-	-	31,716
Bonds payable	-	-	2,175	118,840	121,015
Total current liabilities	<u>114,396</u>	<u>11</u>	<u>2,780</u>	<u>184,092</u>	<u>301,279</u>
Noncurrent liabilities:					
Bonds payable	-	-	31,821	3,572,307	3,604,128
Compensated absences	1,609	-	-	-	1,609
Net pension liability	4,618	-	-	-	4,618
Total OPEB liability	662	-	-	-	662
Escrow deposits	16,370	48	-	5	16,423
Arbitrage rebate payable	-	-	-	597	597
Unearned revenue	118,807	1,450	-	12,339	132,596
Total noncurrent liabilities	<u>142,066</u>	<u>1,498</u>	<u>31,821</u>	<u>3,585,248</u>	<u>3,760,633</u>
Total liabilities	<u>256,462</u>	<u>1,509</u>	<u>34,601</u>	<u>3,769,340</u>	<u>4,061,912</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	146	-	-	-	146
Deferred inflows related to OPEB	1,385	-	-	-	1,385
Total deferred inflows of resources	<u>1,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,531</u>
NET POSITION					
Investment in capital assets	4,595	-	-	-	4,595
Restricted for single family bond programs	-	16,714	15,855	526,526	559,095
Restricted for grant programs	-	19,215	-	-	19,215
Restricted for Homebuyers Revolving Loan Program	3,153	-	-	-	3,153
Restricted for net pension asset	45	-	-	-	45
Unrestricted	5,085	43,697	-	-	48,782
Total net position	<u>\$ 12,878</u>	<u>\$ 79,626</u>	<u>\$ 15,855</u>	<u>\$ 526,526</u>	<u>\$ 634,885</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
OPERATING REVENUES					
Mortgage interest income	\$ 493	\$ 179	\$ 2,043	\$ 134,964	\$ 137,679
Investment income:					
Interest	1,703	690	113	17,692	20,198
Net increase (decrease) in the fair value of investments	-	302	350	16,667	17,319
Federal grant administration fees	22,582	-	-	-	22,582
Fees and other income	18,504	458	3	6	18,971
Changes due to uncollectible debt allowances	-	-	-	37,043	37,043
Total operating revenues	<u>43,282</u>	<u>1,629</u>	<u>-</u>	<u>2,509</u>	<u>253,792</u>
OPERATING EXPENSES					
Salaries and benefits	33,491	-	-	-	33,491
Contractual services	16,657	-	-	1	16,658
Materials and supplies	2,325	-	-	-	2,325
Rentals and insurance	40	-	-	-	40
Other administrative expenses	830	-	-	-	830
Other program expenses	10,404	-	-	-	10,404
Interest expense	294	-	1,049	107,409	108,752
Issuance costs	-	-	-	7,820	7,820
Amortization: service release premium	61	-	-	-	61
Depreciation	1,902	-	-	-	1,902
Total operating expenses	<u>66,004</u>	<u>-</u>	<u>1,049</u>	<u>115,230</u>	<u>182,283</u>
Operating income (loss)	<u>(22,722)</u>	<u>1,629</u>	<u>1,460</u>	<u>91,142</u>	<u>71,509</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	501,127	-	-	-	501,127
Payment from primary government	897	-	-	-	897
Federal grants expenses	(501,033)	-	-	-	(501,033)
Local grants expenses	(9,045)	-	-	-	(9,045)
Total nonoperating revenues (expenses)	<u>(8,054)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,054)</u>
Income (loss) before transfers	<u>(30,776)</u>	<u>1,629</u>	<u>1,460</u>	<u>91,142</u>	<u>63,455</u>
Transfers (to) other funds	-	(4,291)	(723)	(1,555)	(6,569)
Transfers from other funds	6,569	-	-	-	6,569
Change in net position	<u>(24,207)</u>	<u>(2,662)</u>	<u>737</u>	<u>89,587</u>	<u>63,455</u>
Total net position, July 1	<u>37,085</u>	<u>82,288</u>	<u>15,118</u>	<u>436,939</u>	<u>571,430</u>
Total net position, June 30	<u>\$ 12,878</u>	<u>\$ 79,626</u>	<u>\$ 15,855</u>	<u>\$ 526,526</u>	<u>\$ 634,885</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ 5,707	\$ 7,349	\$ 421,405	\$ 434,461
Receipts from federal government	22,430	-	-	-	22,430
Receipts from other funds	-	-	-	3,719	3,719
Other miscellaneous receipts	20,383	458	3	37,049	57,893
Acquisition of mortgage loans	-	(8,822)	-	(726,046)	(734,868)
Payments to suppliers	(18,996)	(2)	-	(3,385)	(22,383)
Payments to other funds	(3,719)	-	-	-	(3,719)
Payments to or for employees	(33,809)	-	-	-	(33,809)
Net cash provided (used) by operating activities	<u>(13,711)</u>	<u>(2,659)</u>	<u>7,352</u>	<u>(267,258)</u>	<u>(276,276)</u>
Cash flows from non-capital financing activities:					
Operating grants received	503,890	-	-	-	503,890
Receipts from primary government	897	-	-	-	897
Transfers in (out)	6,569	(4,291)	(723)	(1,555)	-
Proceeds from sale of bonds	-	-	-	1,138,941	1,138,941
Operating grants paid	(507,024)	-	-	-	(507,024)
Cost of issuance paid	-	-	-	(7,820)	(7,820)
Principal payments	-	-	(6,035)	(217,800)	(223,835)
Interest paid	(272)	-	(1,334)	(97,223)	(98,829)
Net cash provided (used) by non-capital financing activities	<u>4,060</u>	<u>(4,291)</u>	<u>(8,092)</u>	<u>814,543</u>	<u>806,220</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(1,122)	-	-	-	(1,122)
Net cash used for capital and related financing activities	<u>(1,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,122)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	3,100	5,280	256,454	264,834
Purchases of investments	-	(6,858)	(3,435)	(573,695)	(583,988)
Investment interest received	1,702	692	110	16,899	19,403
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	197	35	7,678	7,910
Net cash provided (used) by investing activities	<u>1,702</u>	<u>(2,869)</u>	<u>1,990</u>	<u>(292,664)</u>	<u>(291,841)</u>
Net decrease in cash and cash equivalents	(9,071)	(9,819)	1,250	254,621	236,981
Cash and cash equivalents, July 1	188,859	29,431	899	186,786	405,975
Cash and cash equivalents, June 30	<u>\$ 179,788</u>	<u>\$ 19,612</u>	<u>\$ 2,149</u>	<u>\$ 441,407</u>	<u>\$ 642,956</u>

(continued)

TENNESSEE HOUSING DEVELOPMENT AGENCY
SUPPLEMENTARY INFORMATION
SUPPLEMENTARY SCHEDULE OF CASH FLOWS (cont.)
FOR THE YEAR ENDED JUNE 30, 2024
(Expressed in Thousands)

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (22,722)	\$ 1,629	\$ 1,460	\$ 91,142	\$ 71,509
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,902	-	-	-	1,902
Changes in assets, liabilities, and deferrals:					
Accounts receivable	3,750	(827)	55	1,066	4,044
Mortgage interest receivable	(37)	-	37	(3,737)	(3,737)
Other receivables	1,878	-	-	(4,545)	(2,667)
Unearned service release premium	(985)	-	-	-	(985)
Pension asset	122	-	-	-	122
Deferred pension outflows	342	-	-	-	342
Deferred OPEB outflows	(61)	-	-	-	(61)
Loans held for resale	(6,902)	4,660	-	-	(2,242)
Mortgage loans receivable	(3)	(5,495)	5,212	(440,330)	(440,616)
Due from federal government	(152)	-	-	-	(152)
Interfund receivables	-	-	-	3,719	3,719
Interfund payables	(3,719)	-	-	-	(3,719)
Accounts payable	19,262	(2)	2	637	19,899
Accrued payroll / compensated absences	1,111	-	-	-	1,111
Due to primary government	(7)	-	-	-	(7)
Unearned revenue	(11,666)	(1,632)	-	3,397	(9,901)
Line of credit payable	6,817	-	-	-	6,817
Arbitrage rebate liability	-	-	-	523	523
Pension liability	(423)	-	-	-	(423)
OPEB liability	(457)	-	-	-	(457)
Deferred pension inflows	(395)	-	-	-	(395)
Deferred OPEB inflows	42	-	-	-	42
Investment income included as operating revenue	(1,702)	(992)	(463)	(34,359)	(37,516)
Interest expense included as operating expense	294	-	1,049	107,409	108,752
Issuance cost included as operating expense	-	-	-	7,820	7,820
Total adjustments	<u>9,011</u>	<u>(4,288)</u>	<u>5,892</u>	<u>(358,400)</u>	<u>(347,785)</u>
Net cash provided (used) by operating activities	<u>\$ (13,711)</u>	<u>\$ (2,659)</u>	<u>\$ 7,352</u>	<u>\$ (267,258)</u>	<u>\$ (276,276)</u>
Noncash investing, capital, and financing activities:					
Decrease in fair value of investments	\$ -	\$ 55	\$ 116	\$ 3,510	\$ 3,681
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 116</u>	<u>\$ 3,510</u>	<u>\$ 3,681</u>

***UNAUDITED FINANCIAL
INFORMATION***

September 30, 2024

I, Michell Bosch, hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.

Michell Bosch
Signature

February 27, 2025
Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

September 30, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2024
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 106,556	\$ 17,948	\$ 1,152	\$ 340,919	\$ 466,575
Investments	-	6,152	643	211,926	218,721
Receivables:					
Accounts	8,219	71	41	6,769	15,100
Interest	45	8	217	17,348	17,618
Loans held for resale	7,551	-	-	-	7,551
First and second mortgage loans	-	2,629	1,737	78,399	82,765
Due from federal government	27,820	-	-	-	27,820
Due from other state funds	3,879	-	-	-	3,879
Due from other funds	-	-	-	31,353	31,353
Total current assets	154,070	26,808	3,790	686,714	871,382
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	37,273	-	533	22,836	60,642
Investments	-	-	5,604	102,514	108,118
Investment interest receivable	-	-	32	799	831
Investments	-	-	-	267,471	267,471
First mortgage loans receivable	8	51,749	39,427	2,996,595	3,087,779
Allowance for non-performing first mortgage loans	-	(17)	-	(226)	(243)
Second mortgage loans receivable	-	-	-	127,629	127,629
Allowance for uncollectable second mortgages	-	-	-	(5,037)	(5,037)
Unamortized service release premium of in house mortgages	3,758	-	-	23,458	27,216
Unearned service release premium	2,154	-	-	-	2,154
Advance to local government	3,146	-	-	-	3,146
Net pension asset	45	-	-	-	45
Capital assets:					
Furniture and equipment	15,672	-	-	-	15,672
Less accumulated depreciation	(11,077)	-	-	-	(11,077)
Total noncurrent assets	50,979	51,732	45,596	3,536,039	3,684,346
Total assets	205,049	78,540	49,386	4,222,753	4,555,728
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	23	23
Deferred outflows related to pensions	5,963	-	-	-	5,963
Deferred outflows related to OPEB	310	-	-	-	310
Deferred outflows related to defeased bonds	-	-	-	871	871
Total deferred outflows of resources	6,273	-	-	894	7,167
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,428	\$ 12	\$ -	\$ -	\$ 1,440
Accrued payroll and related liabilities	1,113	-	-	-	1,113
Compensated absences	1,470	-	-	-	1,470
Interest payable	43	-	279	36,273	36,595
Escrow deposits	23,503	-	-	-	23,503
Prepayments on mortgage loans	5	-	27	2,031	2,063
Line of credit payable	7,435	-	-	-	7,435
Due to other funds	25,490	5,863	-	-	31,353
Bonds payable	-	-	2,270	115,720	117,990
Total current liabilities	60,487	5,875	2,576	154,024	222,962
Noncurrent liabilities:					
Bonds payable	-	-	30,616	3,509,087	3,539,703
Compensated absences	1,609	-	-	-	1,609
Net pension liability	4,618	-	-	-	4,618
Total OPEB liability	662	-	-	-	662
Escrow deposits	16,300	48	-	5	16,353
Unearned revenue	118,323	1,378	-	13,161	132,862
Arbitrage rebate payable	-	-	-	597	597
Total noncurrent liabilities	141,512	1,426	30,616	3,522,850	3,696,404
Total liabilities	201,999	7,301	33,192	3,676,874	3,919,366
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	146	-	-	-	146
Deferred inflows related to OPEB	1,385	-	-	-	1,385
Total deferred inflows of resources	1,531	-	-	-	1,531
NET POSITION					
Net investment in capital assets	4,594	-	-	-	4,594
Restricted for single family bond programs	-	14,021	16,194	546,773	576,988
Restricted for grant programs	-	20,153	-	-	20,153
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for pension asset	45	-	-	-	45
Unrestricted	-	37,065	-	-	37,065
Total net position	\$ 7,793	\$ 71,239	\$ 16,194	\$ 546,773	\$ 641,999

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2024
OPERATING REVENUES					
Mortgage interest income	\$ 141	\$ 22	\$ 502	\$ 36,655	\$ 37,320
Investment income:					
Interest	3	94	54	6,069	6,220
Net increase (decrease) in the fair value of investments	-	188	78	13,544	13,810
Federal grant administration fees	3,889	-	-	-	3,889
Fees and other income	5,315	63	-	-	5,378
Total operating revenues	9,348	367	634	56,268	66,617
OPERATING EXPENSES					
Salaries and benefits	8,974	-	-	-	8,974
Contractual services	4,151	-	-	-	4,151
Materials and supplies	451	-	-	-	451
Rentals and insurance	5	-	-	-	5
Other administrative expenses	163	-	-	-	163
Other program expenses	10,153	-	-	350	10,503
Interest expense	22	-	229	32,005	32,256
Amortization on service release premium	24	-	-	-	24
Total operating expenses	23,943	-	229	32,355	56,527
Operating income (loss)	(14,595)	367	405	23,913	10,090
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	96,227	-	-	-	96,227
Federal grants expenses	(97,239)	-	-	-	(97,239)
Local grants expenses	(1,964)	-	-	-	(1,964)
Total nonoperating revenues (expenses)	(2,976)	-	-	-	(2,976)
Income (loss) before transfers	(17,571)	367	405	23,913	7,114
Transfers (to) other funds	-	(8,754)	(66)	(3,666)	(12,486)
Transfers from other funds	12,486	-	-	-	12,486
Change in net position	(5,085)	(8,387)	339	20,247	7,114
Total net position, July 1	12,878	79,626	15,855	526,526	634,885
Total net position, End of period	\$ 7,793	\$ 71,239	\$ 16,194	\$ 546,773	\$ 641,999

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2024
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ 1,775	\$ 1,074	\$ 173,824	\$ 176,673
Receipts from federal government	3,737	-	-	-	3,737
Receipts from other funds	-	5,863	-	363	6,226
Other miscellaneous receipts	5,315	63	-	-	5,378
Acquisition of mortgage loans	-	(799)	-	(141,564)	(142,363)
Payments to suppliers	(42,143)	-	(2)	(1,037)	(43,182)
Payments to other funds	(6,226)	-	-	-	(6,226)
Payments to or for employees	(9,117)	-	-	-	(9,117)
Net cash provided (used) by operating activities	<u>(48,434)</u>	<u>6,902</u>	<u>1,072</u>	<u>31,586</u>	<u>(8,874)</u>
Cash flows from non-capital financing activities:					
Operating grants received	120,748	-	-	-	120,748
Transfers in (out)	12,486	(8,754)	(66)	(3,666)	-
Operating grants paid	(120,761)	-	-	-	(120,761)
Principal payments	-	-	(1,060)	(62,295)	(63,355)
Interest paid	(1)	-	(576)	(62,794)	(63,371)
Net cash provided (used) by non-capital financing activities	<u>12,472</u>	<u>(8,754)</u>	<u>(1,702)</u>	<u>(128,755)</u>	<u>(126,739)</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	-	765	191,482	192,247
Purchases of investments	-	-	(640)	(180,620)	(181,260)
Investment interest received	3	91	39	5,332	5,465
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	97	2	3,323	3,422
Net cash provided by investing activities	<u>3</u>	<u>188</u>	<u>166</u>	<u>19,517</u>	<u>19,874</u>
Net increase (decrease) in cash and cash equivalents	(35,959)	(1,664)	(464)	(77,652)	(115,739)
Cash and cash equivalents, July 1	179,788	19,612	2,149	441,407	642,956
Cash and cash equivalents, End of period	<u>\$ 143,829</u>	<u>\$ 17,948</u>	<u>\$ 1,685</u>	<u>\$ 363,755</u>	<u>\$ 527,217</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Three Months Ended September 30, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 9/30/2024
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (14,595)	\$ 367	\$ 405	\$ 23,913	\$ 10,090
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	(199)	885	(13)	2,022	2,695
Mortgage interest receivable	(8)	(5)	1	(445)	(457)
Loans held for resale	(649)	-	-	-	(649)
Mortgage loans receivable	-	146	584	(6,749)	(6,019)
Due from federal government	(152)	-	-	-	(152)
Unamortized service release premium of in house mortgages	526	-	-	(542)	(16)
Unearned service release premium	(450)	-	-	-	(450)
Interfund receivables	-	5,863	-	363	6,226
Interfund payables	(6,226)	-	-	-	(6,226)
Accounts payable	(26,707)	1	(2)	(189)	(26,897)
Accrued payroll / compensated absences	(33)	-	-	-	(33)
Due to primary government	(94)	-	-	-	(94)
Line of credit payable	618	-	-	-	618
Unearned revenue	(484)	(72)	-	821	265
Investment income / expense included as operating revenue	(3)	(283)	(132)	(19,613)	(20,031)
Interest expense included as operating expense	22	-	229	32,005	32,256
Total adjustments	<u>(33,839)</u>	<u>6,535</u>	<u>667</u>	<u>7,673</u>	<u>(18,964)</u>
Net cash provided (used) by operating activities	<u>\$ (48,434)</u>	<u>\$ 6,902</u>	<u>\$ 1,072</u>	<u>\$ 31,586</u>	<u>\$ (8,874)</u>
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	-	11	111	6,327	6,449
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 111</u>	<u>\$ 6,327</u>	<u>\$ 6,449</u>

***UNAUDITED FINANCIAL
INFORMATION***

December 31, 2024

I, Michell Bosch, hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief. The enclosed unaudited financial statements were prepared in accordance with GAAP.



Signature

February 27, 2025

Date

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF NET POSITION
(Expressed in Thousands)
(Unaudited)

December 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2024
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 104,409	\$ 23,522	\$ 2,570	\$ 446,478	\$ 576,979
Investments	-	219	650	348,734	349,603
Receivables:					
Accounts	11,018	76	39	6,754	17,887
Interest	33	-	232	18,930	19,195
Loans held for resale	7,160	-	-	-	7,160
First and second mortgage loans	-	2,643	1,747	78,876	83,266
Due from federal government	32,675	-	-	-	32,675
Due from other state funds	3,181	-	-	-	3,181
Due from other funds	-	-	-	30,431	30,431
Total current assets	158,476	26,460	5,238	930,203	1,120,377
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	15,364	-	502	7,174	23,040
Investments	-	-	5,639	117,357	122,996
Investment interest receivable	-	-	17	591	608
Investments	-	-	-	342,482	342,482
First mortgage loans receivable	8	51,384	38,493	2,966,055	3,055,940
Allowance for non-performing first mortgage loans	-	(17)	(8)	(419)	(444)
Second mortgage loans receivable	-	-	-	130,338	130,338
Allowance for uncollectable second mortgages	-	-	-	(5,113)	(5,113)
Unamortized service release premium of in house mortgages	3,171	-	-	23,793	26,964
Unearned service release premium	2,505	-	-	-	2,505
Advance to local government	3,146	-	-	-	3,146
Net pension asset	45	-	-	-	45
Capital assets:					
Furniture and equipment	15,672	-	-	-	15,672
Less accumulated depreciation	(11,077)	-	-	-	(11,077)
Total noncurrent assets	28,834	51,367	44,643	3,582,258	3,707,102
Total assets	187,310	77,827	49,881	4,512,461	4,827,479
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refundings	-	-	-	23	23
Deferred outflows related to pensions	5,963	-	-	-	5,963
Deferred outflows related to OPEB	310	-	-	-	310
Deferred outflows related to defeased bonds	-	-	-	857	857
Total deferred outflows of resources	6,273	-	-	880	7,153
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 6,374	\$ 11	\$ 1	\$ 163	\$ 6,549
Compensated absences	1,470	-	-	-	1,470
Interest payable	25	-	558	72,623	73,206
Escrow deposits	3,187	-	-	-	3,187
Prepayments on mortgage loans	9	-	24	2,014	2,047
Line of credit payable	7,017	-	-	-	7,017
Due to other funds	30,431	-	-	-	30,431
Bonds payable	-	-	2,715	189,780	192,495
Total current liabilities	48,513	11	3,298	264,580	316,402
Noncurrent liabilities:					
Bonds payable	-	-	30,166	3,690,175	3,720,341
Compensated absences	1,609	-	-	-	1,609
Net pension liability	4,618	-	-	-	4,618
Total OPEB liability	662	-	-	-	662
Escrow deposits	15,933	48	-	5	15,986
Unearned revenue	109,636	1,190	-	13,860	124,686
Arbitrage rebate payable	-	-	-	597	597
Total noncurrent liabilities	132,458	1,238	30,166	3,704,637	3,868,499
Total liabilities	180,971	1,249	33,464	3,969,217	4,184,901
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	146	-	-	-	146
Deferred inflows related to OPEB	1,385	-	-	-	1,385
Total deferred inflows of resources	1,531	-	-	-	1,531
NET POSITION					
Net investment in capital assets	4,594	-	-	-	4,594
Restricted for single family bond programs	-	13,682	16,417	544,124	574,223
Restricted for grant programs	-	19,059	-	-	19,059
Restricted for Homebuyers Revolving Loan Program	3,154	-	-	-	3,154
Restricted for pension asset	45	-	-	-	45
Unrestricted	3,288	43,837	-	-	47,125
Total net position	\$ 11,081	\$ 76,578	\$ 16,417	\$ 544,124	\$ 648,200

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2024
OPERATING REVENUES					
Mortgage interest income	\$ 370	\$ 46	\$ 959	\$ 73,018	\$ 74,393
Investment income:					
Interest	31	175	103	14,087	14,396
Net increase in fair value of investments	-	277	113	14,574	14,964
Federal grant administration fees	11,533	-	-	-	11,533
Fees and other income	10,827	138	-	2	10,967
Total operating revenues	<u>22,761</u>	<u>636</u>	<u>1,175</u>	<u>101,681</u>	<u>126,253</u>
OPERATING EXPENSES					
Salaries and benefits	17,625	-	-	-	17,625
Contractual services	8,575	-	-	-	8,575
Materials and supplies	1,107	-	-	-	1,107
Rentals and insurance	11	-	-	-	11
Other administrative expenses	375	-	-	-	375
Other program expenses	11,880	-	11	980	12,871
Interest expense	76	-	503	67,572	68,151
Issuance costs	-	-	-	762	762
Amortization on service release premium	38	-	-	-	38
Total operating expenses	<u>39,687</u>	<u>-</u>	<u>514</u>	<u>69,314</u>	<u>109,515</u>
Operating income (loss)	<u>(16,926)</u>	<u>636</u>	<u>661</u>	<u>32,367</u>	<u>16,738</u>
NONOPERATING REVENUES (EXPENSES)					
Federal grants revenue	232,433	-	-	-	232,433
Federal grants expenses	(232,711)	-	-	-	(232,711)
Local grants expenses	(3,145)	-	-	-	(3,145)
Total nonoperating revenues (expenses)	<u>(3,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,423)</u>
Income (loss) before transfers	<u>(20,349)</u>	<u>636</u>	<u>661</u>	<u>32,367</u>	<u>13,315</u>
Transfers (to) other funds	-	(3,684)	(99)	(14,769)	(18,552)
Transfers from other funds	18,552	-	-	-	18,552
Change in net position	<u>(1,797)</u>	<u>(3,048)</u>	<u>562</u>	<u>17,598</u>	<u>13,315</u>
Total net position, July 1	12,878	79,626	15,855	526,526	634,885
Total net position, End of period	<u>\$ 11,081</u>	<u>\$ 76,578</u>	<u>\$ 16,417</u>	<u>\$ 544,124</u>	<u>\$ 648,200</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2024
Cash flows from operating activities:					
Receipts from customers	\$ -	\$ 2,364	\$ 2,450	\$ 340,041	\$ 344,855
Receipts from federal government	11,381	-	-	-	11,381
Receipts from other funds	-	-	-	1,285	1,285
Other miscellaneous receipts	10,827	138	-	2	10,967
Acquisition of mortgage loans	-	(1,199)	-	(243,876)	(245,075)
Payments to suppliers	(75,820)	-	(15)	(1,899)	(77,734)
Payments to other funds	(1,285)	-	-	-	(1,285)
Payments to or for employees	(19,011)	-	-	-	(19,011)
Net cash provided (used) by operating activities	<u>(73,908)</u>	<u>1,303</u>	<u>2,435</u>	<u>95,553</u>	<u>25,383</u>
Cash flows from non-capital financing activities:					
Operating grants received	252,797	-	-	-	252,797
Transfers in (out)	18,552	(3,684)	(99)	(14,769)	-
Proceeds from sale of bonds	-	-	-	255,953	255,953
Operating grants paid	(257,414)	-	-	-	(257,414)
Cost of issuance paid	-	-	-	(762)	(762)
Principal payments	-	-	(1,060)	(62,295)	(63,355)
Interest paid	(73)	-	(576)	(62,803)	(63,452)
Net cash provided (used) by non-capital financing activities	<u>13,862</u>	<u>(3,684)</u>	<u>(1,735)</u>	<u>115,324</u>	<u>123,767</u>
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	-	5,962	2,542	334,746	343,250
Purchases of investments	-	-	(2,435)	(552,139)	(554,574)
Investment interest received	31	175	103	12,815	13,124
Increase in fair value of investments subject to fair value reporting and classified as cash equivalents	-	154	13	5,946	6,113
Net cash provided (used) by investing activities	<u>31</u>	<u>6,291</u>	<u>223</u>	<u>(198,632)</u>	<u>(192,087)</u>
Net increase (decrease) in cash and cash equivalents	(60,015)	3,910	923	12,245	(42,937)
Cash and cash equivalents, July 1	179,788	19,612	2,149	441,407	642,956
Cash and cash equivalents, End of period	<u>\$ 119,773</u>	<u>\$ 23,522</u>	<u>\$ 3,072</u>	<u>\$ 453,652</u>	<u>\$ 600,019</u>

TENNESSEE HOUSING DEVELOPMENT AGENCY
SCHEDULES OF CASH FLOWS (cont.)
(Expressed in Thousands)
(Unaudited)

For the Six Months Ended December 31, 2024

	Operating Group	Mortgage Finance Program	Housing Finance Program Bonds	Residential Finance Program Bonds	Total 12/31/2024
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (16,926)	\$ 636	\$ 661	\$ 32,367	\$ 16,738
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	(2,998)	881	(10)	2,037	(90)
Mortgage interest receivable	4	-	(14)	(1,285)	(1,295)
Loans held for resale	(258)	-	-	-	(258)
Mortgage loans receivable	-	497	1,516	20,874	22,887
Due to federal government	(152)	-	-	-	(152)
Unamortized service release premium of in house mortgages	1,114	-	-	(877)	237
Unearned service release premium	(801)	-	-	-	(801)
Interfund receivables	-	-	-	1,285	1,285
Interfund payables	(1,285)	-	-	-	(1,285)
Accounts payable	(42,440)	-	(5)	(43)	(42,488)
Accrued payroll / compensated absences	(1,146)	-	-	-	(1,146)
Due to primary government	(94)	-	-	-	(94)
Line of credit payable	200	-	-	-	200
Unearned revenue	(9,171)	(259)	-	1,522	(7,908)
Investment income included as operating revenue	(31)	(452)	(216)	(28,661)	(29,360)
Interest expense included as operating expense	76	-	503	67,572	68,151
Issuance cost included as operating expense	-	-	-	762	762
Total adjustments	<u>(56,982)</u>	<u>667</u>	<u>1,774</u>	<u>63,186</u>	<u>8,645</u>
Net cash provided (used) by operating activities	<u>\$ (73,908)</u>	<u>\$ 1,303</u>	<u>\$ 2,435</u>	<u>\$ 95,553</u>	<u>\$ 25,383</u>
Noncash investing, capital, and financing activities:					
Increase in fair value of investments	-	11	111	6,327	6,449
Total noncash investing, capital, and financing activities	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 111</u>	<u>\$ 6,327</u>	<u>\$ 6,449</u>