Tennessee Housing
Development Agency

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
Total current assets		1,081,858
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)
Total noncurrent assets		3,577,572
Total assets		4,659,430
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
Total deferred outflows of resources		7,182
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
Total current liabilities		269,563
Noncurrent liabilities:		
Bonds payable (Note 3)		3,604,128
Compensated absences (Note 3)		1,609
Net pension liablility (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
Total noncurrent liabilities		3,760,633
Total liabilities		4,030,196
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions (Note 5)		146
Deferred inflows related to OPEB (Note 8)		1,385
Total deferred inflows of resources		1,531
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
Total net position	$	634,885

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)		37,043
Total operating revenues		253,792
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		1,902
Total operating expenses		182,283
Operating income		71,509
NONOPERATING REVENUES (EXPENSES)		
Federal grants revenue		501,127
Payment from primary government (Note 9)		897
Federal grants expenses		(501,033)
Local grants expenses		(9,045)
Total nonoperating revenues (expenses)		(8,054)
Change in net position		63,455
Total net position, July 1		571,430
Total net position, June 30	$	634,885

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	(33,809)
Net cash used by operating activities	(276,276)
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	(98,829)
Net cash provided by non-capital financing activities	806,220
Cash flows from capital and related financing activities:	
Purchases of capital assets	(1,122)
Net cash used for capital and related financing activities	(1,122)
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	7,910
Net cash used for investing activities	(291,841)
Net increase in cash and cash equivalents	236,981
Cash and cash equivalents, July 1	405,975
Cash and cash equivalents, June 30	$ 642,956

(continued)

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

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	$	71,509
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		7,820
Total adjustments		(347,785)
Net cash used by operating activities	$	(276,276)
Noncash investing, capital, and financing activities:		
Decrease in fair value of investments	$	3,681
Total noncash investing, capital, and financing activities	$	3,681

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

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 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.

Description	Estimated Life
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.

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.

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.

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 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.

June 30, 2024		
Investment Type	Fair Value *(in thousands)*	Effective Duration Unless Otherwise Noted *(Years)*
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

<u>Fair Value Measurements</u> – 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):

	June 30, 2024			
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	$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.

<u>Credit Risk</u> – 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).

	June 30, 2024				
Investment Type	**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	*(Fair Value in thousands)*	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.

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

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

$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 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:						

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 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.

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	-
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

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.

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 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.

<u>Contributions</u> – 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

<u>Pension asset</u> – 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%.

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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
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):

Year Ended June 30:	
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.

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.

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 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

$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.

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 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.

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 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:

	Allocation Range		
Asset Class	Minimum	Maximum	Target Allocation
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:

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

<u>Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate</u> - 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 3.5%) or 1-percentage-point higher (11.31% decreasing to 5.50%) than the current healthcare cost trend rate (expressed in thousands).

	1% Decrease *(9.31% decreasing to 3.50%)*	Healthcare Cost Trend Rates *(10.31% decreasing to 4.50%)*	1% Increase *(11.31% decreasing to 5.50%)*
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.

<u>Deferred outflows of resources and deferred inflows of resources</u> - 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):

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 310	$ 1,385

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:	
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, *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

<u>Proportionate share</u> – 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.

<u>Actuarial assumptions</u> – 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%

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.

<u>Discount rate</u> – 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%.

<u>Changes in assumptions</u> - 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.

<u>Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate</u> – 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%)*

Tennessee Housing Development Agency's Proportionate share of the collective net OPEB liability	$	351	$	309	$	273

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.

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.

.

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.

Exhibit A

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	218,947	29,043	4,347	861,237	1,113,574
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	45,651	52,092	46,109	3,433,720	3,577,572
Total assets	264,598	81,135	50,456	4,294,957	4,691,146
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	6,273	-	-	909	7,182
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	114,396	11	2,780	184,092	301,279
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	142,066	1,498	31,821	3,585,248	3,760,633
Total liabilities	256,462	1,509	34,601	3,769,340	4,061,912
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					
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	$ 12,878	$ 79,626	$ 15,855	$ 526,526	$ 634,885

Exhibit B

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	43,282	1,629 -	2,509	206,372	253,792
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	66,004	-	1,049	115,230	182,283
Operating income (loss)	(22,722)	1,629	1,460	91,142	71,509
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)	(8,054)	-	-	-	(8,054)
Income (loss) before transfers	(30,776)	1,629	1,460	91,142	63,455
Transfers (to) other funds	-	(4,291)	(723)	(1,555)	(6,569)
Transfers from other funds	6,569	-	-	-	6,569
Change in net position	(24,207)	(2,662)	737	89,587	63,455
Total net position, July 1	37,085	82,288	15,118	436,939	571,430
Total net position, June 30	$ 12,878	$ 79,626	$ 15,855	$ 526,526	$ 634,885

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	(13,711)	(2,659)	7,352	(267,258)	(276,276)
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	4,060	(4,291)	(8,092)	814,543	806,220
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	(1,122)	-	-	-	(1,122)
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	1,702	(2,869)	1,990	(292,664)	(291,841)
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	$ 179,788	$ 19,612	$ 2,149	$ 441,407	$ 642,956

(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	9,011	(4,288)	5,892	(358,400)	(347,785)
Net cash provided (used) by operating activities	$ (13,711)	$ (2,659)	$ 7,352	$ (267,258)	$ (276,276)
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	$ -	$ 55	$ 116	$ 3,510	$ 3,681