



South Dakota Housing Development Authority

(A Component Unit of the State of South Dakota)

Financial Report

June 30, 2023 and 2022

Independent Auditor’s Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	12
Statements of Revenues, Expenses, and Changes in Net Position	13
Statements of Cash Flows	14
Notes to Financial Statements	15
Required Supplementary Information	
Schedule of Authority’s Contributions	43
Schedule of Authority’s Proportionate Share of the Net Pension Liability (Asset)	44
Notes to Required Supplementary Information	45
Supplementary Information	
Supplemental Schedule of Net Position	47
Supplemental Schedule of Operations and Changes in Net Position	49
Tables I, II and III	50
Table IV	51
Tables V and VI	52
Tables VII, VIII and IX	53
Table X	54
Table XI	55



Independent Auditor's Report

To the Board of Commissioners
South Dakota Housing Development Authority
(A Component Unit of the State of South Dakota)
Pierre, South Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of South Dakota Housing Development Authority, a component unit of the State of South Dakota, which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Housing Development Authority as of June 30, 2023 and 2022, and the changes in its 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 audits 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 (*Government Auditing Standards*). 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 South Dakota Housing Development Authority 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 South Dakota Housing Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 South Dakota Housing Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Dakota Housing Development Authority'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the Schedule of Authority's Contributions, Schedule of Authority's Proportionate Share of Net Pension Liability (Asset) and Notes to Required Supplementary Information on pages 43 through 46 be presented to supplement the basic financial statements.

Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Dakota Housing Development Authority's basic financial statements. The supplementary schedules and tables set forth on pages 47 through 55 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary schedules and tables, as listed in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023, on our consideration of South Dakota Housing Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Dakota Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.



Aberdeen, South Dakota
October 11, 2023

Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

This section of the South Dakota Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2023 (FY 2023) and 2022 (FY 2022). This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, Notes to the Financial Statements, and Supplementary Information.

The Authority

The Authority was created in 1973 by an Act of the South Dakota Legislature as a body politic and corporate and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the state. Among other things, the Authority is authorized to issue bonds and notes to obtain funds to purchase mortgage loans to be originated by mortgage lenders and to make mortgage loans to individuals for the construction and permanent financing of single family housing; to make mortgage loans to qualified sponsors for the construction and permanent financing of multifamily housing; to purchase, under certain circumstances, existing mortgage loans; to purchase, from mortgage lenders, securities guaranteed by an instrumentality of the United States that finances mortgage loans; and to issue bonds to refund outstanding bonds. Additionally, the Authority has the power, among other powers, to provide technical, consulting and project assistance services to private housing sponsors; to assist in coordinating federal, state, regional, and local public and private housing efforts; and to act as a housing and redevelopment commission. The Authority is also authorized to provide financing for daycare facilities and assisted living and congregate care facilities; to guarantee mortgage loans; and to provide rehabilitation financing.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The activity of the Authority is accounted for as a proprietary-type fund. The Authority is a component unit of the State of South Dakota, and its financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

Basic Financial Statements

The basic financial statements include three required statements and the accompanying Notes to the Financial Statements. The three required statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position provides information about the liquidity and solvency of the Authority by indicating the nature and the amounts of investments in resources (assets), its deferred outflows of resources, obligations to Authority creditors (liabilities), its deferred inflows of resources, and its resulting net position. Net position represents the amount of total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement separates assets and liabilities into current and non-current components.

The Statement of Revenues, Expenses, and Changes in Net Position accounts for all of the current year's revenues and expenses in order to measure the success of the Authority's operations over the past year. This statement is organized by separating operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses are defined as those relating to the Authority's primary business of construction, preservation, rehabilitation, purchase, and development of affordable single family and multifamily housing and daycare facilities. Nonoperating revenues and expenses are those that do not contribute directly to the Authority's primary business. The Authority did not have any nonoperating items.

(continued on next page)

Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

The Statement of Cash Flows provides information about the net change in the Authority's cash and cash equivalents for the fiscal year and is presented using the direct method of reporting. It provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital and related financing, and noncapital financing activities. Cash receipts and payments are presented in this statement to arrive at the net increase or decrease in cash and cash equivalents for each year.

These statements are accompanied by a complete set of Notes to the Financial Statements that communicate information essential for fair presentation of the basic financial statements. As such, the Notes form an integral part of the basic financial statements.

Changes in Financial Position

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2023, FY 2022, and FY 2021 for the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Net Position of the Authority:

Changes in Statement of Revenues, Expenses, and Net Position

(In Millions of Dollars)

	FY 2023	FY 2022	FY 2021	% Change 2023/2022	% Change 2022/2021
Revenues:					
Interest on mortgages	\$ 7.5	\$ 8.7	\$ 11.0	-13.8%	-20.9%
Investment income	51.1	37.5	49.1	36.3%	-23.6%
Increase (decrease) in fair market value of investments and program MBS	(40.5)	(125.4)	(22.4)	67.7%	-459.8%
HUD contributions	40.5	35.5	33.0	14.1%	7.6%
U.S. Treasury contributions	20.4	31.9	13.9	-36.1%	129.5%
State contributions	-	150.0	-	-	-
Other income	6.8	7.7	7.9	-11.7%	-2.5%
Total revenues	<u>85.8</u>	<u>145.9</u>	<u>92.5</u>	<u>-41.2%</u>	<u>57.7%</u>
Expenses:					
Interest	35.2	29.1	34.4	21.0%	-15.4%
Servicer fees	0.5	0.6	0.8	-16.7%	-25.0%
General and administrative	7.8	7.3	7.3	6.8%	0.0%
HUD housing assistance payments	27.7	27.0	24.1	2.6%	12.0%
U.S. Treasury housing assistance payments	20.4	31.9	13.9	-36.1%	129.5%
Other	17.2	16.7	15.2	3.0%	9.9%
Total expenses	<u>108.8</u>	<u>112.6</u>	<u>95.7</u>	<u>-3.4%</u>	<u>17.7%</u>
Change in net position	<u>\$ (23.0)</u>	<u>\$ 33.3</u>	<u>\$ (3.2)</u>	<u>-169.1%</u>	<u>-1140.6%</u>

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Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

Changes in Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

(In Millions of Dollars)

	FY 2023	FY 2022	FY 2021	% Change 2023/2022	% Change 2022/2021
Assets:					
Cash and equivalents	\$ 585.3	\$ 574.7	\$ 369.2	1.8%	55.7%
Investments	1,207.8	1,110.5	1,419.8	8.8%	-21.8%
Mortgages	276.0	283.1	308.2	-2.5%	-8.1%
Line of credit receivable	33.4	45.9	44.8	-27.2%	2.5%
Interest receivable	6.1	4.0	4.4	52.5%	-9.1%
Capital assets	4.5	4.6	5.0	-2.2%	-8.0%
Other	29.4	24.3	8.4	21.0%	189.3%
Total assets	<u>2,142.5</u>	<u>2,047.1</u>	<u>2,159.8</u>	4.7%	-5.2%
Deferred Outflows of Resources					
Deferred loss on refunding	2.1	2.2	2.7	-4.5%	-18.5%
Deferred forward contract outflow	-	0.1	0.1	-100.0%	0.0%
Deferred swap outflow	-	-	4.7	-	-100.0%
Deferred outflow related to pension	1.5	1.8	1.2	-16.7%	50.0%
Total assets and deferred outflows	<u>\$ 2,146.1</u>	<u>\$ 2,051.2</u>	<u>\$ 2,168.5</u>	4.6%	-5.4%
Liabilities:					
Current bonds payable	\$ 58.0	\$ 21.8	\$ 50.4	166.1%	-56.7%
Interest payable	8.0	4.7	5.9	70.2%	-20.3%
Fair value of hedging derivatives	-	0.1	4.8	-100.0%	-97.9%
Other	4.8	4.6	4.5	4.3%	2.2%
Unearned revenue	72.8	112.8	261.9	-35.5%	-56.9%
Noncurrent bonds payable	1,353.2	1,240.0	1,224.8	9.1%	1.2%
Total liabilities	<u>1,496.8</u>	<u>1,384.0</u>	<u>1,552.3</u>	8.2%	-10.8%
Deferred Inflows of Resources					
Deferred forward contract inflow	-	0.1	-	-100.0%	-
Deferred gain on refunding inflow	9.1	9.8	5.8	-7.1%	69.0%
Deferred swap inflow	22.1	14.6	2.5	51.4%	484.0%
Deferred inflow related to pension	0.9	2.5	1.0	-64.0%	150.0%
Total liabilities and deferred inflows	<u>1,528.9</u>	<u>1,411.0</u>	<u>1,561.6</u>	8.4%	-9.6%
Net Position:					
Net investment in capital assets	(1.2)	(1.2)	(1.0)	0.0%	-20.0%
Restricted by state statute	170.5	169.2	14.1	0.8%	1100.0%
Restricted for pension benefits	0.6	0.6	0.2	0.0%	200.0%
Restricted by bond indentures	357.6	386.7	509.4	-7.5%	-24.1%
Restricted by HOME, HTF and NSP programs	89.7	84.9	84.2	5.7%	0.8%
Total net position	<u>617.2</u>	<u>640.2</u>	<u>606.9</u>	-3.6%	5.5%
Total liabilities, deferred inflows, and net position	<u>\$ 2,146.1</u>	<u>\$ 2,051.2</u>	<u>\$ 2,168.5</u>	4.6%	-5.4%

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Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

Financial Highlights for FY 2023

- Total operating revenues decreased 41.2% to \$85.8 million for FY 2023, from \$145.9 million for FY 2022. The main factor contributing to this decrease was not receiving \$150 million from the State to finance a housing infrastructure program like we did in FY 2022 and a smaller market value adjustment in FY 2023.
- Total operating expenses decreased 3.4% to \$108.8 million for FY 2023, from \$112.6 million for FY 2022. The primary component of the decrease was less spending on COVID-related housing assistance payments.
- Net position of the Authority for FY 2023 was \$617.2 million, which represented a decrease of \$23.0 million, or 3.6%, from the FY 2022 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$276.0 million at the end of FY 2023, which represented a decrease of \$7.1 million, or 2.5%, for FY 2023 from the FY 2022 level of \$283.1 million. In the last half of FY 2022, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.
- Investments were \$1,207.8 million at the end of FY 2023, which represented an increase of \$97.3 million, or 8.8%, from the FY 2022 total of \$1,110.5 million. The increase is primarily related to the purchase of program mortgage-backed securities.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$33.4 million at the end of FY 2023 and \$45.9 million at the end of FY 2022.
- Interest income on mortgage loans was \$7.5 million for FY 2023, which represented a decrease of \$1.2 million from the \$8.7 million reported in FY 2022. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$51.1 million for FY 2023, which represented an increase of \$13.6 million, or 36.3%, in FY 2023 from \$37.5 million for FY 2022 due to the increase in rate of return on investments and an increase in the amount of funds held as investments. The fair market value decreased by \$40.5 million in FY 2023 and decreased by \$125.4 million in FY 2022. The FY 2023 fair market decrease was a result of the continued rise in interest rates in order to curb inflation. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$17.5 million for FY 2023 compared to \$158.7 million for FY 2022. The large decrease in net position was due primarily to not receiving a contribution of \$150 million from the State of South Dakota's general fund to be used for financing a housing infrastructure program as we did in FY 2022.

Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

- Deferred outflows of resources from interest rate swaps at the end of FY 2023 remained the same as FY 2022 at \$0.0 million. Deferred inflows of resources from interest rate swaps at the end of FY 2023 increased to \$22.1 million from \$14.6 million at the end of FY 2022, or 51.4%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,411.2 million for FY 2023, which was an increase of \$149.4 million, or 11.8%, in FY 2023 from \$1,261.8 million in FY 2022 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$72.8 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2023. This is a decrease of \$40.0 million, or 35.5%, from FY 2022. Of the \$40.0 million, only \$20.5 million was used for housing assistance payments and the other \$19.5 million was returned to the U.S. Treasury.
- Interest expense on bonds and notes outstanding increased \$6.1 million, or 21.0%, in FY 2023 from \$29.1 million in FY 2022 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$4.2 million from the Homeownership Mortgage Loan Program and \$1.3 million from the Single Family Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. In addition to the 1% of loan purchases, which was approximately \$4.0 million, the other \$1.5 million was transferred to fund the Housing Opportunity Fund.

Financial Highlights for FY 2022

- Total operating revenues increased 57.7% to \$145.9 million for FY 2022, from \$92.5 million for FY 2021. The main factor contributing to this increase was a receipt of \$150 million from the State to finance a housing infrastructure program. A \$125.4 million decrease in market value adjustments on investments offset most of the contribution.
- Total operating expenses increased 17.7% to \$112.6 million for FY 2022, from \$95.7 million for FY 2021. The primary component of the increase was from COVID-related housing assistance payments.
- Net position of the Authority for FY 2022 was \$640.2 million, which represented an increase of \$33.3 million, or 5.5%, from the FY 2021 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$283.1 million at the end of FY 2022, which represented a decrease of \$25.1 million, or 8.1%, for FY 2022 from the FY 2021 level of \$308.2 million. In the last half of FY 2022, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.

Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

- Investments were \$1,110.5 million at the end of FY 2022, which represented a decrease of \$309.3 million, or 21.8%, from the FY 2021 total of \$1,419.8 million. The decrease is primarily related to holding more funds as cash and cash equivalents in this rising interest rate environment. The other contributing factor is the repayment of housing assistance payments to the U.S. Treasury in the amount of \$163.3 million. As of June 30, 2022, \$112.8 million of U.S. Treasury payments are recorded on the financials as unearned revenue.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$45.9 million at the end of FY 2022 and \$44.8 million at the end of FY 2021.
- Interest income on mortgage loans was \$8.7 million for FY 2022, which represented a decrease of \$2.3 million from the \$11.0 million reported in FY 2021. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$37.5 million for FY 2022, which represented a decrease of \$11.6 million, or 23.6%, in FY 2022 from \$49.1 million for FY 2021 due to the decline in rate of return on investments and the decrease in the amount of funds held as investments. The fair market value decreased by \$125.4 million in FY 2022 and decreased by \$22.4 million in FY 2021. The FY 2022 fair market decrease was a result of rapidly rising interest rates in order to curb inflation in comparison to last fiscal year-end. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$158.7 million for FY 2022 compared to \$19.2 million for FY 2021. The large increase in net position was due primarily to a contribution of \$150 million from the State of South Dakota's general fund to be used for financing a housing infrastructure program.
- Deferred outflows of resources from interest rate swaps at the end of FY 2022 decreased to \$0.0 million from \$4.7 million at the end of FY 2021, or 100.0%. Deferred inflows of resources from interest rate swaps at the end of FY 2022 increased to \$14.6 million from \$2.5 million at the end of FY 2021, or 484.0%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,261.8 million for FY 2022, which was a decrease of \$13.4 million, or 1.1%, in FY 2022 from \$1,275.2 million in FY 2021 due to more bonds being redeemed or maturing during the year than bonds being issued.
- Unearned revenue consists of \$112.8 million of funds received from the U.S. Treasury to fund COVID-related programs that had not been spent as of June 30, 2022. This is a decrease of \$149.1 million, or 56.9%, from FY 2021, primarily related to the repayment of housing assistance payments to the U.S. Treasury in the amount of \$163.3 million.
- Interest expense on bonds and notes outstanding decreased \$5.3 million, or 15.4%, in FY 2022 from \$34.4 million in FY 2021 due to a lower weighted average interest rate on the bonds outstanding.
- The Authority performed an operating transfer of \$8.5 million from the Homeownership Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. In addition to the 1% of loan purchases, which was approximately \$4.0 million, the Authority transferred approximately \$3.0 million to fund rising material costs for the Governor's House Program and \$1.5 million to fund the Housing Opportunity Fund.

(continued on next page)

Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

Loan Portfolio Activity for FY 2023 and FY 2022

The Authority's loan portfolio is comprised of single family and multifamily development loans for low- and moderate-income individuals and families. The Homeownership Mortgage Loan Program is the Authority's largest single category of assets. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, used to be the dominant loan product offered by the Authority. Then, in April 2012, the Authority changed its business model from purchasing whole loans financed with bond proceeds to purchasing loans and securitizing the loans into MBS. The MBS can then be held in the portfolio as an investment, sold to the secondary market using forward contracts to hedge the interest rate risk, or financed with bond proceeds.

In February 2013, the Authority implemented the Mortgage Credit Certificate (MCC) program to utilize bonding authority that was set to expire. The MCC gives the Authority a competitive advantage over the conventional market by allowing the borrower a tax credit on their income tax return which, in return, allows a lower effective annual percentage rate on their loan.

The Homeownership Mortgage Loan Program purchased approximately \$324 million of MBS's during FY 2023 compared to \$421 million in FY 2022.

The Homeownership Mortgage Loan Program purchased approximately \$421 million of MBS's during FY 2022 compared to \$441 million in FY 2021.

Debt Administration

The Authority is authorized to issue debt to purchase or originate mortgage loans on single family and multifamily residential properties. As of FY 2023, the Authority had \$1,411.2 million in bonds outstanding, an 11.8% increase from FY 2022. As of FY 2022, the Authority had \$1,261.8 million in bonds outstanding, a 1.1% decrease from FY 2021.

The Authority issued a total of \$218.0 million in bonds in FY 2023 as new long-term debt. Of that amount, \$178.0 million was new money and used to finance the Homeownership Mortgage Loan Program. \$40.0 million was used to replacement refund existing bonds. No bonds were issued to refund existing bonds or to preserve bonding authority. The Authority issued a total of \$353.8 million in bonds in FY 2022 as new long-term debt. Of that amount, \$89.5 million was new money and used to finance the Homeownership Mortgage Loan Program. \$227.5 million was used to replacement refund existing bonds, and \$36.8 million was used to refund existing bonds. No bonds were issued to preserve bonding authority.

The Authority retired or paid at maturity a total of \$68.6 million in bonds in FY 2023. \$66.1 million was redeemed from refundings, prepayments, and excess reserves and \$2.5 million was maturing principal. The Authority retired or paid at maturity a total of \$371.4 million in bonds in FY 2022. \$366.9 million was redeemed from refundings, prepayments, and excess reserves and \$4.5 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2023 and FY 2022, and rated Aaa by Moody's Investors Service in FY 2023 and FY 2022. In FY 2023 and FY 2022, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. The Authority's Single Family Mortgage Bonds were rated Aa2 in FY 2023 and FY 2022. Moody's Investors Service has given the Authority an Issuer Rating of Aa3.

More detailed information about the Authority's debt can be found in Note 6, Bonds Payable.

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Management's Discussion and Analysis

June 30, 2023 and 2022 (Unaudited)

Capital Assets

Capital assets decreased by \$0.1 million in FY 2023 from \$4.6 million in FY 2022. This net change is due to the depreciation of existing assets.

Capital assets decreased by \$0.4 million in FY 2022 from \$5.0 million in FY 2021. This net change is due to the depreciation of existing assets.

More detailed information about the Authority's capital assets can be found in Note 17, Capital Assets.

Economic Outlook

Economic conditions in South Dakota are relatively good due to prudent fiscal policy. The State of South Dakota operates on a balanced budget and the State's pension fund is 100.1% funded. The State's foreclosure rate of 0.39%, delinquency rate of 2.25%, and a shrinking unemployment rate since the onset of COVID-19 (currently 1.8%) are well below the national averages. These percentages, along with stable home prices, have all contributed to the success of the Authority over the past five years. Going forward, the Authority will try to maximize its return on investments and will continue to look for innovative ways to finance the Authority's Single and Multifamily programs.

Overview

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or would like to request additional information, contact the South Dakota Housing Development Authority's Director of Finance at PO Box 1237, 3060 E. Elizabeth Street, Pierre, SD 57501-1237.

Statements of Net Position

As of June 30

Assets	2023	2022
Current Assets		
Cash and cash equivalents (Note 3)	\$ 585,264,439	\$ 574,682,968
Investment securities - other (Note 3)	17,707,261	10,498,174
Investments - program mortgage-backed securities (Note 3)	162,871,108	138,652,969
Mortgage loans receivable, net (Note 4)	33,416,933	34,040,064
Interest receivable	6,058,925	4,003,851
Other receivables	1,824,866	1,216,278
Other assets	3,956,543	5,759,116
Hedging derivatives (Note 9)	-	87,850
Total Current Assets	811,100,075	768,941,270
Noncurrent Assets		
Investment securities - other (Note 3)	213,117,815	268,292,280
Investments - program mortgage-backed securities (Note 3)	814,160,131	693,098,494
Mortgage loans receivable, net (Note 4)	242,618,322	249,087,690
Line of credit receivable (Note 5)	33,469,656	45,917,102
Other receivables	1,509,986	2,555,173
Hedging derivatives (Note 9)	22,059,427	14,614,969
Capital assets, at cost, less accumulated depreciation (Note 17)	4,507,293	4,631,250
Total Noncurrent Assets	1,331,442,630	1,278,196,958
Total Assets	2,142,542,705	2,047,138,228
Deferred Outflows of Resources		
Loss on refundings	2,048,140	2,183,450
Forward contracts (Note 9)	-	66,416
Related to pensions (Note 14)	1,527,970	1,759,992
Total Assets and Deferred Outflows of Resources	\$ 2,146,118,815	\$ 2,051,148,086
Liabilities		
Current Liabilities		
Bonds payable (Note 6)	\$ 57,997,307	\$ 21,795,300
Accrued interest payable	8,039,029	4,731,557
Unearned revenue	21,000,000	41,398,587
Accounts payable and other liabilities (Note 18)	1,869,741	1,929,527
Multifamily escrows and reserves	1,375,325	1,397,716
Hedging derivatives (Note 9)	-	66,416
Total Current Liabilities	90,281,402	71,319,103
Noncurrent Liabilities		
Bonds payable (Note 6)	1,353,201,378	1,240,024,683
Unearned revenue	51,808,423	71,356,085
Accounts payable and other liabilities (Note 18)	1,522,612	1,258,443
Total Noncurrent Liabilities	1,406,532,413	1,312,639,211
Total Liabilities	1,496,813,815	1,383,958,314
Deferred Inflows of Resources		
Forward contracts (Note 9)	-	87,850
Gain on refundings	9,111,198	9,805,807
Swaps (Note 9)	22,059,427	14,614,969
Related to pensions (Note 14)	901,943	2,492,814
Total Liabilities and Deferred Inflows of Resources	1,528,886,383	1,410,959,754
Net Position		
Net investment in capital assets	(1,252,707)	(1,223,750)
Restricted for pension benefits	641,410	550,439
Restricted by state statute	170,540,923	169,244,442
Restricted by bond indentures	357,580,828	386,726,891
Restricted by HOME, HTF, NSP, and HAF Program	89,721,978	84,890,310
Total Net Position	617,232,432	640,188,332
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,146,118,815	\$ 2,051,148,086

See Notes to Financial Statements

**Statements of Revenues, Expenses, and
Changes in Net Position**

For the Years Ended June 30

Operating Revenues	2023	2022
Interest income on mortgage loans	\$ 7,475,839	\$ 8,655,746
Earnings on investments and program mortgage-backed securities	51,124,595	37,538,871
Net decrease in the fair market value of investments and program mortgage-backed securities	(40,542,081)	(125,366,134)
HUD contributions	40,500,014	35,553,876
U.S. Treasury contributions/COVID	20,446,249	31,855,968
State contributions	-	150,000,000
Fee, grant and other income	6,788,249	7,682,280
Total Operating Revenues	85,792,865	145,920,607
Operating Expenses		
Interest	35,155,668	29,130,566
HUD housing assistance payments	27,647,206	26,948,190
U.S. Treasury housing assistance payments/COVID	20,446,249	31,855,968
Servicer fees	481,189	586,837
Arbitrage rebate (benefit)	222,527	36,357
General and administrative	7,779,389	7,339,180
Bond financing costs	2,646,343	3,874,870
Other housing programs	9,278,556	9,773,000
Provision for loan loss	5,091,638	3,031,615
Total Operating Expenses	108,748,765	112,576,583
Change in net position	(22,955,900)	33,344,024
Net position, beginning of fiscal year	640,188,332	606,844,308
Net Position, End of Fiscal Year	\$ 617,232,432	\$ 640,188,332

Statements of Cash Flows

For the Years Ended June 30

	2023	2022
Cash Flows Provided by (Used in) Operating Activities		
Receipts from loan payments and program mortgage-backed securities	\$ 165,247,310	\$ 290,503,948
Receipts from program fees	5,850,349	157,231,844
Receipts from federal housing programs	40,500,014	35,553,876
Receipts for U.S. Treasury Housing Assistance/COVID	-	45,995,334
Payments for loan programs and program mortgage-backed securities	(288,956,677)	(268,530,338)
Payments for operating expenses	(3,922,573)	(3,110,203)
Payments to employees	(5,291,205)	(4,900,846)
Payments for federal housing programs	(27,647,206)	(26,948,190)
Payments for U.S. Treasury Housing Assistance/COVID	(20,446,249)	(31,855,968)
Payments to U.S. Treasury for housing assistance funds	(19,500,000)	(163,301,482)
Payments for other housing programs	(6,146,734)	(11,417,419)
Net Cash Provided by (Used in) Operating Activities	(160,312,971)	19,220,556
Cash Flows Provided by (Used in) Noncapital Financing Activities		
Proceeds from sale of bonds	221,670,524	366,983,122
Principal paid on bonds	(68,498,004)	(371,310,092)
Interest paid on bonds and swaps	(35,974,211)	(34,718,801)
Bond issuance costs paid	(2,646,343)	(3,507,601)
Net Cash Provided by (Used in) Noncapital Financing Activities	114,551,966	(42,553,372)
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital fixed assets	(292,628)	(107,743)
Proceeds from sale of assets	15,650	14,875
Principal paid on bonds	(95,000)	(90,000)
Interest paid on capital debt	(132,103)	(13,657)
Net Cash Used in Capital and Related Financing Activities	(504,081)	(196,525)
Cash Flows Provided by Investing Activities		
Purchase of investment securities	(93,349,131)	(294,839,598)
Proceeds from sale and maturities of investment securities	136,445,357	517,007,051
Interest received on investments	13,750,331	6,868,635
Net Cash Provided by Investing Activities	56,846,557	229,036,088
Change in Cash and Cash Equivalents	10,581,471	205,506,747
Cash and Cash Equivalents, Beginning of Year	574,682,968	369,176,221
Cash and Cash Equivalents, End of Year	\$ 585,264,439	\$ 574,682,968
Reconciliation of Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities		
Operating income (loss)	\$ (22,955,900)	\$ 33,344,024
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Interest on bonds payable	35,155,668	29,130,566
Net decrease in fair market value of investments	40,542,081	125,366,134
Interest from investments	(17,555,610)	(6,348,592)
Bond financing costs	2,646,343	3,874,870
Provision for loan loss	5,091,638	3,031,615
Depreciation	416,584	436,945
Gain on sale of fixed assets	(15,650)	(14,875)
Changes in assets and liabilities:		
Loan interest receivable	(915,742)	243,907
Accounts payable and other liabilities	204,383	808,280
Mortgage loans receivable	2,000,861	22,032,780
Investments - program mortgage-backed securities	(178,286,756)	(39,039,586)
Unearned revenue	(39,946,249)	(149,162,116)
Line of credit receivable	12,447,446	(1,109,516)
Other receivables	(831,279)	(112,548)
Other assets	1,802,573	(2,241,855)
Related to pensions	(90,971)	(323,013)
Multifamily escrows and reserves	(22,391)	(696,464)
Net Cash Provided by (Used in) Operating Activities	\$ (160,312,971)	\$ 19,220,556

Notes to Financial Statements

Note 1 - Authorizing Legislation and Indentures:

Authorizing Legislation:

The South Dakota Housing Development Authority (the Authority) was created in 1973 by an Act of the South Dakota Legislature. The Authority was established for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the state through the use of public financing including public construction, public loans, public purchase of mortgages, and otherwise. The Authority may issue notes and bonds in principal amounts specifically approved by the Governor. The Internal Revenue Code of 1986 established a state ceiling for qualified private activity bonds applicable to the State of South Dakota for any calendar year. The calendar year state allocation for South Dakota is \$358,845,000 for 2023. Amounts issued by the Authority shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. The Authority is a business-type activity component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Annual Comprehensive Financial Report of the State of South Dakota.

Description of Reporting Entity:

The Authority is considered a single enterprise fund for financial reporting purposes. The activities of the Authority are recorded under various indentures established for the administration of the Authority's programs. A further description of these indentures is as follows:

General Operating Account:

This account, authorized by the enabling legislation, was initially funded in August 1973 by a \$12,420 grant of federal funds from the South Dakota State Economic Opportunity Office. Funding on an ongoing basis is derived, principally, from loan origination fees, allowable transfers from other funds, and investment income. Authorized activities of this account include the following:

- (i) payment of general and administrative expenses and other costs not payable by other funds of the Authority; and,
- (ii) those activities deemed necessary to fulfill the Authority's corporate purposes for which special funds are not established.

Included in the account are the activities of statewide Section 8 Housing Assistance Payments Programs which the Authority administers on behalf of the U.S. Department of Housing and Urban Development (HUD). Under these programs, the Authority distributes housing assistance payments received from HUD.

The Authority has appropriated all income received in the General Operating Account to a General Reserve Account. This account can be used only for the administration and financing of programs in accordance with the policy and purpose of the enabling legislation.

Notes to Financial Statements

Homeownership Mortgage Bonds:

This indenture, established under the Homeownership Mortgage Bond Resolution adopted June 16, 1977, as amended and restated as of March 11, 2008, is prescribed for accounting for the proceeds from the sale of the Homeownership Mortgage Bonds, the debt service requirements of the bond indebtedness, the remaining assets and liabilities of the Single Family Housing Program, and mortgage loans on eligible single family residential housing disbursed from bond proceeds. The mortgage loans are made to finance the construction, rehabilitation or ownership of such housing, and are insured by the Federal Housing Administration (FHA) or private mortgage insurers, guaranteed by the Veterans Administration (VA), guaranteed by USDA Rural Development (RD), or have a principal amount which does not exceed 80% of the appraised value of the home. This indenture also accounts for the Mortgage-Backed Security Program and the investments related to this program.

Single Family Mortgage Bonds:

This indenture established under the Single Family Mortgage Bonds Resolution adopted on December 2, 2009, was created to utilize the United States Treasury's Single Family New Issue Bond Program. This indenture will facilitate the administration and financing of programs for the development or acquisition of owner-occupied housing, at prices that persons of low- or moderate-income can afford.

Multiple Purpose Bonds:

This indenture, established under the Multiple Purpose Bond Resolution adopted March 1, 2002, is prescribed for accounting for the proceeds from the sale of Multiple Purpose Bonds, for the purpose of effectuating the public purposes of the Authority, and establishing procedures to assure that amounts will be sufficient for the repayment of money borrowed for this purpose.

Note 2 - Significant Accounting Policies:

Basis of Presentation:

The Authority, as a component unit of the State of South Dakota, follows standards established by the Governmental Accounting Standards Board (GASB). As required by government accounting standards, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. The criteria for inclusion in, or exclusion from, the financial reporting entity is outlined in GASB Statement 14, as amended by GASB 61, and includes oversight responsibility, including financial accountability, over agencies by the Authority's Board of Commissioners. The Authority is financially accountable if it appoints a voting majority of an organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Authority. The financial statements of the Authority include the activity of Homeownership Education Resource Organization (H.E.R.O.), a non-profit organization devoted to monitoring homeownership education in South Dakota, as a blended component unit.

Measurement Focus and Basis of Accounting:

The Authority follows the economic resources measurement focus and accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned, and expenses are recognized when they are incurred.

Notes to Financial Statements

Interest Income:

Accrued interest is recognized on the amount of outstanding mortgage loans. The accrual of interest on delinquent loans is discontinued at the time that foreclosure activities are completed.

Statements of Cash Flows:

For the purposes of the Statements of Cash Flows, cash and cash equivalents are defined as investments with original maturities of ninety days or less and any participating funds in the State's internal investment pool held by the State Treasurer. The amount held in the State's internal investment pool is reported at fair value. The Authority essentially has on-demand access to the entire amount of cash in the internal investment pool.

Investment Securities:

Investments of the Authority are carried at fair value. Unrealized gains and losses due to fluctuations in fair value are included in income.

Investments - Program Mortgage-Backed Securities:

Program mortgage-backed securities are backed by single family mortgage loans. These securities are guaranteed as to payment of principal and interest by either the Government National Mortgage Association or the Federal National Mortgage Association. The securities are carried at fair value and unrealized gains and losses are included in income.

Fair Value:

The Authority measures fair value of certain assets and liabilities based on the framework established by generally accepted accounting principles. *GASB 72, Fair Value Measurement and Application*, defines fair value as the price that could be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

Level 1: Values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at the measurement date.

Level 2: Values determined with inputs, other than quoted prices included within Level 1, which are observable for an asset (liability), either directly or indirectly.

Level 3: Values determined with unobservable inputs for an asset (liability) and may require a degree of professional judgement.

Mortgage Loans Receivable:

Loans receivable are carried at their unpaid principal balance less an allowance for loan loss, net of unamortized discounts or premiums, and are recorded as amounts are disbursed. Premiums and discounts are amortized, using the loans outstanding method, over the life of the loans.

Notes to Financial Statements

Allowance for Loan Loss:

The allowance for loan loss is based upon management's evaluation of the loan portfolio. Factors considered by management include the estimated fair values of the properties that represent collateral, mortgage insurance coverage on the collateral, the financial condition of the borrower, past experience, conversion to grant criteria, and the economy as a whole. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions.

Fee Income:

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Authority and for other specific services are recorded as income in the period earned.

Receivables:

Receivables not expected to be collected within one year are recorded in the Statement of Net Position as noncurrent.

Bond Premiums, Discounts and Gains/Losses on Refundings:

Premiums and discounts on bonds are amortized to interest expense using the bonds outstanding method over the life of the bonds to which they relate. Gains and losses on bond refunding are recorded as deferred outflows and inflows and are amortized to interest expense over the shorter of the remaining life of the refunded bonds or the new bonds.

Bond Issuance Costs:

Issuance costs on bonds are expensed as incurred.

Derivative Instruments:

The fair values of both hedging derivatives and investment derivatives (if any) are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Authority's Statement of Net Position. If a derivative was determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of investment earnings. The Authority currently has two types of derivatives outstanding, both of which are effective hedges, therefore, having no effect on net position: interest rate swaps and mortgage-backed security forward contracts.

Real Estate Owned:

Real estate owned and held for sale arises from foreclosures or other mortgage default-related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family and Multifamily Program is recorded at the unpaid principal balance on the loans, net of any allowance, as of the date the loans become real estate owned. Since most of the Single Family loans are insured or guaranteed, it is anticipated that the Authority will recover a majority of the unpaid principal balances of the loans, net of any allowance, through proceeds arising from the sale of such property and certain insurance proceeds. Recoveries for Multifamily loans arise from the sale of such property. Real estate owned is included with mortgage loans receivable.

Notes to Financial Statements

Capital Asset Policy:

Capital assets costing more than \$5,000 are recorded at cost when acquired and depreciated over the estimated useful life of the asset using the straight-line method. Assets sold or otherwise disposed of are removed from the related accounts and the resulting gains or losses are reflected in the Statements of Revenues, Expenses and Changes in Net Position. The classes of assets used by the Authority are furniture and equipment, land, land improvements, and buildings. The estimated useful life for furniture and equipment ranges from 4 to 15 years, the estimated useful life of land improvements ranges from 20 to 30 years, and the estimated useful life of buildings ranges from 27 to 50 years.

Inventory:

Other assets consist of Governor's House inventory, which is recorded at the lower of cost or market. Cost is determined using the weighted average method.

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 South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Authority's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Arbitrage Rebate:

The Authority is limited in the investment yield which it may retain for its own use on the non-mortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the federal government in accordance with applicable federal tax regulations. The Authority has recorded receivables/(liabilities) in the amount of (\$271,355) and (\$48,829) at June 30, 2023 and 2022, respectively, for arbitrage.

Escrows and Reserves:

The Authority requires multifamily projects to escrow funds with the Authority to cover certain future expenditures. Investments equal to the amount of escrows and reserves are restricted for this purpose. Investment income relating to these funds is credited directly to the escrow funds; it is not included in the investment income of the Authority.

Revenue and Expense Recognition:

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering items in connection with an enterprise fund's ongoing operations. The Authority records all revenues derived from mortgages, investments, servicing, financing, grants, State contributions, and federal housing assistance programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its purpose. Operating expenses include bond interest, bond issuance costs, housing program assistance payments, and depreciation and administrative expenses related to the administration of the Authority's programs.

Pass-Through Grants:

The Authority follows GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. Statement No. 24 requires that all cash pass-through grants received by a governmental entity be reported in its financial statements. The effect of applying these provisions is to increase both operating income and expense when eligible expenses occur. Grant funds received in advance of meeting eligibility requirements are recorded as a liability as unearned revenue.

Notes to Financial Statements

Government Mandated Nonexchange Transactions:

Government-mandated non-exchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use the resources for a specific purpose or purposes established in the provider's enabling legislation. The Authority recognizes revenues when the resources are received provided that all eligibility requirements have been met. Resulting net position is reported as restricted for as long as the provider's purpose restrictions remain in effect. During 2022, the Authority received a \$150 million contribution from the State of South Dakota's general fund pursuant to House Bill 1033 to be used for a housing infrastructure program, which was reported as revenue and restricted net position as of and for the year ended June 30, 2022. The \$150 million continues to be listed in the restricted net position as of year ended June 30, 2023.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, reported amounts of revenues and expenses, and other disclosures. Actual results could differ from those estimates.

Net Position:

Net position is classified in the following three components:

- Net investment in capital assets – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
- Restricted – Consists of net position with constraints placed on their use by (1) bond indentures, (2) law through enabling legislation, (3) participation in the State pension plan, and (4) various grant agreements.
- Unrestricted – Consists of net position that does not meet the definition of net investment in capital assets or restricted.

Note 3 - Deposits and Investments:

Under the terms of the bond resolutions, the Authority is generally restricted to investments in direct general obligations of the United States of America, agencies and instrumentalities of the United States of America, negotiable or nonnegotiable certificates of deposit issued by a bank that is insured by the FDIC, obligations of the State or any agency or instrumentality thereof, or securities that are permissible for the investment of State public funds under the provisions of SDCL § 4-5-26. As of the years ended June 30, 2023 and 2022, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled, either directly or indirectly, by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2023 and 2022, of the Authority's deposits of \$94,814,856 (carrying value of \$92,293,887) and \$83,904,641 (carrying value of \$82,918,438), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

(continued on next page)

Notes to Financial Statements

The \$151,316,972 and \$149,970,117 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2023 and 2022, respectively, is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

Investments:

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial risk. All investments are held in the Authority's name.

Interest Rate Risk: The Authority limits the maturities of investments for its restricted accounts. Investments of the capital reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related series of the bonds. The average duration of individual securities will not exceed twenty years. Investments of the mortgage reserve accounts must provide for the purposes thereof as estimated by the Authority. The duration of 50% of individual securities will not exceed two years from the date of purchase or deposit. The Authority assumes that its callable investments will not be called. The Authority invests in mortgage pass-through securities issued by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, the securities are considered highly sensitive to interest rate risk. As of June 30, 2023 and 2022, 72% and 67%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2023 and 2022, the Authority had investments maturing as follows:

	2023 Investment Maturities (in Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 79,985,924	\$ 11,299,504	\$ 41,073,939	\$ 27,262,129	\$ 350,352
U.S. Agency obligations	1,114,659,931	4,648,277	28,151,902	6,055,743	1,075,804,010
Money market/mutual funds	341,653,580	341,653,580	-	-	-
Certificates of Deposit	240,908	-	240,908	-	-
Corporate-backed obligations	2,696,266	-	259,877	466,942	1,969,447
State obligations	10,273,285	1,759,480	5,034,242	807,565	2,671,997
Total	<u>\$ 1,549,509,894</u>	<u>\$ 359,360,841</u>	<u>\$ 74,760,868</u>	<u>\$ 34,592,379</u>	<u>\$ 1,080,795,806</u>

	2022 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 123,792,946	\$ 5,840,635	\$ 89,362,449	\$ 28,208,275	\$ 381,587
U.S. Agency obligations	974,500,000	2,873,332	26,691,853	6,387,697	938,547,118
Money market/mutual funds	341,794,414	341,794,414	-	-	-
Certificates of Deposit	1,489,389	1,245,561	243,828	-	-
Corporate-backed obligations	2,632,703	-	9,625	864,845	1,758,233
State obligations	8,126,878	-	5,706,445	2,420,433	-
Total	<u>\$ 1,452,336,330</u>	<u>\$ 351,753,942</u>	<u>\$ 122,014,200</u>	<u>\$ 37,881,250</u>	<u>\$ 940,686,938</u>

Notes to Financial Statements

At June 30, 2023 and 2022, certain cash equivalents and investments in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2023		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 40,345,234	\$ -	\$ 1,234,473
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,982,103	-	-
Debt service reserve	-	426,000	-
Total	\$ 42,327,337	\$ 426,000	\$ 1,234,473
	2022		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 35,793,574	\$ -	\$ 1,234,473
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	2,301,392	-	-
Debt service reserve	-	484,500	-
Total	\$ 38,094,966	\$ 484,500	\$ 1,234,473

Credit Risk and Concentration of Credit Risk: It is the investment policy of the Authority to invest in securities limited to direct general obligations of the United States Government, United States Government Agencies, mortgage-backed securities guaranteed by United States Government Agencies, direct and general obligations of any state within the United States, mutual funds invested in securities mentioned above, and investment agreements secured by securities mentioned above. If securities are downgraded after purchase, the Authority will analyze the reason for downgrade and determine what, if any, action is needed. The Authority will minimize concentration of credit risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. Investments issued by, or explicitly guaranteed by, the United States Government are not considered to have a credit risk. The investments are grouped as rated by Moody's Investors Service:

Type/Provider	Moody's Credit Rating	2023		2022	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 341,653,580	22.0%	\$ 341,794,414	23.5%
Certificates of deposit	NR	240,908	0.0%	1,489,389	0.1%
Corporate-backed obligations	NR	2,696,266	0.2%	2,632,703	0.2%
U.S. Government agency securities:	Aaa	3,562,800	0.2%	3,855,384	0.3%
U.S. Treasury securities	Aaa	79,985,924	5.2%	123,792,946	8.5%
State and municipal securities	A1 to Aaa	10,273,285	0.7%	8,126,878	0.6%
Mortgage-backed securities:					
GNMA	NR	689,222,098	44.5%	631,163,484	43.5%
FNMA	NR	402,516,700	26.0%	315,963,816	21.8%
FHLMC	NR	19,358,333	1.2%	23,517,316	1.6%
		\$ 1,549,509,894	100.0%	\$ 1,452,336,330	100.0%

(continued on next page)

Notes to Financial Statements

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
Homeownership Mortgage Loans	\$ 143,888,410	\$ 156,619,979
Single Family Mortgage Loans	15,304,297	17,585,861
Multiple Purpose Loans	21,412,053	20,753,698
Other (General Operating Account)	95,430,495	88,168,216
Total	<u>\$ 276,035,255</u>	<u>\$ 283,127,754</u>

The above loans are substantially insured by FHA or private mortgage insurance companies, or guaranteed, in part, by the VA or USDA Rural Development. Losses on mortgage loans in the Homeownership Mortgage Bond Program are also secured by an insurance reserve fund established under the bond resolution. The mortgage loans receivable are reflected net of an allowance for loan loss of \$979,686 and \$823,627 as of June 30, 2023 and 2022, respectively.

Some loans receivable contain provisions for the loans to become grants if certain criteria is met. The conversion of loans receivable to grants is calculated on an annual basis, though the debtor is not entitled to receive full credit until maturity of the loan agreement or upon meeting certain criteria. As loans receivable converted to grants are estimated, loans receivable is credited and a charge to operations is made through the provision for loan loss. Loans receivable includes credits of \$26,287,908 and \$22,718,474 as of June 30, 2023 and 2022, respectively. Upon maturity of the loan agreement or achievement of specified criteria, the applicable portion of the loan receivable balance is awarded to the debtors.

Included in the mortgage loan receivable balance is real estate owned by the Authority from foreclosures. The amount of real estate owned at June 30, 2023 and 2022, is \$141,728 and \$23,536, respectively.

Note 5 - Line of Credit Receivable:

On November 1, 2014, the Authority entered into a line of credit with its master servicer. The master servicer uses the line of credit to reimburse themselves for qualified mortgage loan purchases. The Authority receives first security position on the qualified mortgage loans being purchased as collateral. Unpaid balances on the line of credit bear interest prior to repayment at a rate per annum equal to that of the qualified mortgage loans purchased with funds advanced to the master servicer, less an amount to the master servicer for securitizing and servicing the qualified mortgage loans. The line of credit has a maximum amount of \$60 million (or other amount as approved). The line of credit automatically renews each year if notice to terminate is not provided prior to 90 days of each calendar year-end. As of the issuance of these financial statements, there was no termination notice provided; thus, the agreement will expire on December 31, 2023. As of June 30, 2023 and 2022, the balance of this line of credit receivable was \$33,469,656 and \$45,917,102, respectively.

Notes to Financial Statements

Note 6 - Bonds Payable:

Homeownership Mortgage Bonds require annual principal payments on May 1 of each year. Homeownership Mortgage bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2023			2022
			Serial	Term (1)	Total Outstanding	Total Outstanding
2013 Series A	2025-2030	3.00%	\$ -	\$ -	\$ -	\$ 230
2013 Series B	2023-2025	2.7%-3.0%	2,695	-	2,695	3,605
2013 Series C	2030-2033	3.55%	-	4,370	4,370	4,435
2013 Series D	2043	3.25%-4.0%	-	11,150	11,150	13,264
2013 Series E	2032-2044	4.00%	-	335	335	830
2013 Series F	2023-2044	3.35%-4.0%	1,820	110	1,930	2,815
2014 Series A	2030-2044	4.00%	-	1,085	1,085	1,680
2014 Series B	2023-2024	3.15%-3.25%	1,490	-	1,490	2,435
2014 Series C	2024-2025	3.25%-3.45%	2,845	-	2,845	2,940
2014 Series D	2023-2028	2.75%-3.15%	8,700	1,655	10,355	11,465
2014 Series E	2030-2044	4.00%	-	1,445	1,445	2,420
2014 Series F	2023-2034	3.296%-4.0%	4,750	340	5,090	6,480
2015 Series A	2024-2025	2.5%-2.75%	4,540	-	4,540	4,540
2015 Series B	2023-2024	3.022%-3.272%	3,365	-	3,365	4,575
2015 Series C	2045	5.20% (2)	-	30,000	30,000	30,000
2015 Series D	2023-2045	2.35%-4.0%	250	4,770	5,020	6,460
2015 Series E	2027-2037	3.99% (2)	-	25,000 (3)	25,000	25,000
2016 Series A	2023-2036	2.95%-3.45%	9,370	2,145	11,515	13,165
2016 Series B	2023-2046	1.80%-3.5%	6,585	13,625	20,210	21,745
2016 Series C	2023-2025	2.05%-2.45%	8,935	-	8,935	12,035
2016 Series D	2037-2046	3.50%	-	14,590	14,590	18,045
2017 Series A	2023-2037	2.846%-3.89%	6,155	2,005	8,160	9,095
2017 Series B	2023-2047	1.95%-4.0%	23,165	33,710	56,875	61,220
2017 Series C	2037-2039	4.00%	-	3,535	3,535	4,190
2017 Series D	2023-2047	1.90%-4.0%	17,670	33,215	50,885	54,810
2017 Series E	2023-2039	2.45%-4.0%	7,715	5,755	13,470	16,360
2017 Series F	2027-2030	2.6%-2.95%	12,065	-	12,065	12,065
2018 Series A	2023-2048	2.50%-4.0%	14,745	15,375	30,120	33,260
2018 Series B	2023-2048	2.7%-4.5%	14,430	18,180	32,610	35,780
2019 Series A	2023-2049	2.1%-4.0%	21,370	23,000	44,370	47,695
2019 Series B	2023-2049	1.30%-4.0%	27,195	38,140	65,335	69,435
2020 Series A	2023-2050	1.25%-3.75%	22,055	24,200	46,255	50,075
2020 Series B	2031-2041	3.95% (2)	-	33,000	33,000	33,000
2020 Series C	2023-2051	0.50%-3.50%	25,620	27,990	53,610	57,030
2020 Series D	2033-2043	3.99% (2)	-	33,000	33,000	33,000
2021 Series A	2023-2051	0.25%-3.0%	29,120	60,975	90,095	93,555
2021 Series B	2023-2051	0.30%-3.0%	30,105	79,710	109,815	113,370
2021 Series C	2023-2030	0.479%-2.019%	17,680	-	17,680	18,290
2022 Series A	2023-2027	0.55%-5.0%	14,265	-	14,265	15,390
2022 Series B	2028-2052	1.4%-3.0%	25,530	71,815	97,345	98,335
2022 Series C	2023-2053	2.15%-5.0%	23,915	41,550	65,465	66,000
2022 Series D	2038-2046	4.18% (2)	-	33,000	33,000	33,000
2022 Series E	2023-2053	4.50%-5.79%	8,170	24,750	32,920	-
2022 Series F	2038-2046	4.38%	-	17,000	17,000	-
2023 Series A	2024-2054	2.50%-6.0%	23,850	75,150	99,000	-
2023 Series B	2024-2053	4.08%-5.13%	13,230	32,770	46,000	-
2023 Series C	2039-2047	5.20% (2)	-	23,000	23,000	-
Total					1,294,840	1,143,119
2016 Series E	2029-2037	4.36% (2)	-	50,000	50,000	50,000
Total Direct Placements					50,000	50,000
Plus unamortized premium					31,867	31,862
Total Homeownership Mortgage Program Bonds					\$ 1,376,707	\$ 1,224,981

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.

(2) Variable rate adjusted weekly based on the current market rate for similar tax-exempt bonds.

(3) During FY2022, the 2015 Series E Bonds were remarketed and are no longer considered direct placement.

(continued on next page)

Notes to Financial Statements

Single Family Mortgage Bonds require annual principal payments on May 1 of each year. Single Family Mortgage Bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2023		Total Outstanding	2022 Total Outstanding
			Serial	Term (1)		
2016-1	2023-2041	2.344%-3.5%	\$ 4,825	\$ 9,375	\$ 14,200	\$ 16,150
Total					14,200	16,150
Plus unamortized premium					112	144
Total Single Family Mortgage Bonds					\$ 14,312	\$ 16,294

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.

Multiple Purpose Bonds require annual principal payments on November 1 of each year. Multiple Purpose Bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2023		Total Outstanding	2022 Total Outstanding
			Serial	Term (1)		
2009 Series A	2023-2048	4.26% (2)	\$ -	\$ 5,760	\$ 5,760	\$ 5,855
2013 Series A	2028	3.65%	-	150	150	150
2020 Series A	2023-2062	4.18% (2)	-	14,270	14,270	14,540
Total Multiple Purpose Bonds					\$ 20,180	\$ 20,545
Total Bonds Outstanding					\$ 1,411,199	\$ 1,261,820

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.

(2) Variable rate adjusted weekly based on the current market rate for similar tax-exempt bonds.

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2023 and 2022:

	Balance			Balance	Amounts Due Within One Year
	July 1, 2022	Additions	Deductions		
Homeownership Mortgage Program Bonds	\$ 1,143,119,143	\$ 218,000,002	\$ 66,278,005	\$ 1,294,841,140	\$ 56,757,307
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	16,150,000	-	1,950,000	14,200,000	820,000
Multiple Purpose Bonds	20,545,000	-	365,000	20,180,000	420,000
Unamortized Premium/Discount	32,005,840	3,670,524	3,698,819	31,977,545	-
	\$ 1,261,819,983	\$ 221,670,526	\$ 72,291,824	\$ 1,411,198,685	\$ 57,997,307

	Balance			Balance	Amounts Due Within One Year
	July 1, 2021	Additions	Deductions		
Homeownership Mortgage Program Bonds	\$ 1,107,754,232	\$ 378,805,002	\$ 343,440,091	\$ 1,143,119,143	\$ 21,040,300
Homeownership Direct Placement Bonds	75,000,000	-	25,000,000	50,000,000	-
Single Family Mortgage Bonds	29,795,000	-	13,645,000	16,150,000	390,000
Single Family Direct Placement Bonds	13,420,000	-	13,420,000	-	-
Multiple Purpose Bonds	21,440,000	-	895,000	20,545,000	365,000
Unamortized Premium/Discount	27,741,833	13,178,120	8,914,113	32,005,840	-
	\$ 1,275,151,065	\$ 391,983,122	\$ 405,314,204	\$ 1,261,819,983	\$ 21,795,300

Notes to Financial Statements

The assets and revenues of the above indentures are pledged as collateral for the payment of principal and interest on their respective bonds. The bond indentures contain provisions governing events of default and remedies to bondholders with respect to amounts due following events of default.

Required principal and interest payments are as follows:

Year Ended June 30	Homeownership Mortgage Program Bonds		Homeownership Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 56,757,307	\$ 40,723,372	\$ -	\$ 630,000
2025	61,465,000	38,042,777	-	630,000
2026	51,380,000	36,756,258	-	630,000
2027	46,775,000	35,653,923	-	630,000
2028	49,300,000	34,241,021	-	630,000
2029-2033	247,135,000	152,034,003	24,405,000	2,620,044
2034-2038	201,025,000	122,920,625	25,595,000	714,861
2039-2043	188,725,000	100,275,376	-	-
2044-2048	276,798,833	63,483,756	-	-
2049-2053	162,295,000	18,286,750	-	-
2054-2058	3,185,000	106,273	-	-
Total	\$ 1,344,841,140	\$ 642,524,134	\$ 50,000,000	\$ 6,484,905

Year Ended June 30	Single Family Mortgage Bonds		Multiple Purpose Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 820,000	\$ 452,822	\$ 420,000	\$ 220,891
2025	970,000	429,405	430,000	216,830
2026	1,260,000	402,927	450,000	212,726
2027	1,225,000	368,879	460,000	208,396
2028	1,300,000	330,728	475,000	203,924
2029-2033	4,870,000	987,023	2,765,000	916,289
2034-2038	1,460,000	608,792	3,070,000	752,109
2039-2043	2,295,000	162,160	3,655,000	536,490
2044-2048	-	-	4,365,000	250,674
2049-2053	-	-	1,440,000	22,079
2054-2058	-	-	1,350,000	11,291
2059-2063	-	-	1,300,000	3,519
Total	\$ 14,200,000	\$ 3,742,736	\$ 20,180,000	\$ 3,555,218

Notes to Financial Statements

The Authority issues certain series of bonds as variable rate interest debt in order to reduce its overall cost of funds and further its objective of providing affordable mortgage rates for homebuyers in the state. The Authority's variable rate bonds are currently subject to optional tender on a weekly basis. Through standby bond purchase agreements, certain financial institutions (the Liquidity Providers) have agreed to purchase such variable rate bonds that have been tendered and cannot be remarketed. Variable rate bonds purchased by a Liquidity Provider bear interest at various special negotiated interest rates and have accelerated principal payments over various special negotiated interest rates and various terms of years, as set forth in each such agreement.

The following table sets forth certain information related to liquidity providers for variable rate bonds issued and outstanding as of June 30, 2023:

Homeownership Mortgage Bonds	Liquidity Provider	Bond Maturity	Liquidity Provider Rating (Moody's/S&P)	Expiration Date	Bonds Outstanding
2015 Series C	The Authority	11/1/2045	Aa3/NR	11/1/2045	\$ 30,000,000
2020 Series B	The Authority	11/1/2041	Aa3/NR	11/1/2041	\$ 33,000,000
2015 Series E	Bank of America	11/1/2037	Aa1/A+	5/1/2025	\$ 25,000,000 *
2020 Series D	Bank of America	5/1/2043	Aa1/A+	2/10/2027	\$ 33,000,000 *
2022 Series D	FHLB of Des Moines	11/1/2046	Aaa/AA+	6/23/2027	\$ 33,000,000 *
2022 Series F	The Authority	11/1/2046	Aa3/NR	11/1/2046	\$ 17,000,000
2023 Series C	The Authority	11/1/2047	Aa3/NR	11/1/2047	\$23,000,000

Multiple Purpose Bonds	Liquidity Provider	Bond Maturity	Liquidity Provider Rating (Moody's/S&P)	Expiration Date	Bonds Outstanding
2009 Series A	The Authority	11/1/2048	Aa3/NR	11/1/2048	\$ 5,760,000
2020 Series A	FHLB of Des Moines	11/1/2062	Aaa/AA+	9/29/2023	\$ 14,270,000 *

* Various terms and rates as set forth in each liquidity agreement

Note 7 - Conduit Debt Obligations:

The Authority has issued certain conduit bonds under the Multifamily Housing Revenue Bonds Resolution adopted April 15, 1991, the proceeds of which were made available to developers for the construction or rehabilitation of multifamily housing. The bonds and the interest thereon are a limited obligation of the issuer, payable solely from the trust estate pledged therefore under this indenture. The faith and credit of the Authority is not pledged for the payment of the principal and interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

As of June 30, 2023 and 2022, the aggregate principal amount of conduit debt outstanding totaled \$9,654,500 and \$14,574,500, respectively.

Notes to Financial Statements

Note 8 - Refunding of Debt:

In September 2020, the Authority issued \$6,300,000 of variable rate Multiple Purpose Bonds, 2020 Series A (the Refunding Bonds). The Refunding Bonds were used to refund \$6,300,000 of Multiple Purpose Bonds, 2008 Series A. The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$1.9 million. Assuming a mortgage prepayment speed of 0% PSA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$1.4 million.

During the year ended June 30, 2021, the Authority issued Homeownership Mortgage Bonds series 2020CD and 2021A, each in the aggregate principal amount of \$99 million, of which \$76.2 million and \$95.9 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

In August 2021, the Authority issued \$20,285,000 of fixed rate Homeownership Mortgage Bonds, 2021 Series B (the Refunding Bonds). The Refunding Bonds, totaling \$20,285,000, were used to refund \$14,155,000 of Single Family Mortgage Bonds, 2011 Series 2 and 2009 Series 1-D and \$6,130,000 of Homeownership Mortgage Bonds, 2012 Series B (collectively, the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$4.0 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately \$1.4 million.

In February 2022, the Authority issued \$16,520,000 of fixed rate Homeownership Mortgage Bonds, 2022 Series A (the Refunding Bonds). The Refunding Bonds, along with premium generated from the bond sale, were used to refund \$17,595,000 of Homeownership Mortgage Bonds, 2012 Series EF (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$3.0 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately \$2.5 million.

During the year ended June 30, 2022, the Authority issued Homeownership Mortgage Bonds Series 2021BC, 2022AB and 2022CD in the aggregate principal amounts of \$139.3 million, \$115.5 million and \$99 million, respectively, of which \$87.4 million, \$72.7 million and \$67.4 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

During the year ended June 30, 2023, the Authority issued Homeownership Mortgage Bonds Series 2023A in the aggregate principal amounts of \$99 million, of which \$40.0 million of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

Notes to Financial Statements

Note 9 - Hedging Derivatives:

Interest Rate Swaps:

Swap Objectives:

The Authority has entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps are to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds, and to achieve the Authority's goal of lending to low- and moderate-income first-time home buyers at below-market fixed interest rates.

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2023 and 2022, are contained in the table below. The initial notional amounts of the swaps match the initial principal amounts of the associated debt. Current notional amounts may or may not match the current principal outstanding on the debt, which could result in unhedged variable rate debt or making interest payments on debt no longer outstanding (see amortization risk).

The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally ten years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective/Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	Fair Value June 30, 2023	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2023	Fair Value June 30, 2022	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2022
Wells Fargo Bank									
2015 E-1	25,000,000	12/17/2015 11/1/2037	2.11%	66.4% of LIBOR plus 0.22%	Aa1	\$ 1,711,998	\$ 820,236	\$ 891,762	\$ 2,017,323
2016 E-1	50,000,000	11/1/2016 5/1/2037	2.21%	66.4% of LIBOR plus 0.23%	Aa1	3,392,540	1,789,668	1,602,872	4,310,476
2020 D	33,000,000	5/1/2029 5/1/2043	0.928%	100% SIFMA	Aa1	6,887,957	769,656	6,118,301	4,119,440
MPB 2020 A	14,270,000	9/29/2020 5/1/2060	1.31%	100% SIFMA	Aa1	2,539,070	474,599	2,064,471	1,721,899
Bank of America									
2022 D	33,000,000	6/23/2022 11/1/2046	2.3490%	70.0% of SOFR plus 0.08%	Aa1	2,316,695	1,555,219	761,476	761,476
Bank of New York Mellon									
2020 B	33,000,000	2/12/2020 11/1/2041	1.6525%	100% SIFMA	Aa1	4,126,158	950,071	3,176,087	4,105,494
2022 F	17,000,000	10/13/2022 11/1/2046	4.3770%	100% SOFR plus 0.15%	Aa1	31,267	31,267	-	-
2023 C	23,000,000	2/15/2023 11/1/2047	3.9500%	100% SOFR plus 0.15%	Aa1	1,053,742	1,053,742	-	-
						\$ 22,059,427		\$ 14,614,969	

*Moody's Investor Service

Notes to Financial Statements

Fair Value:

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero-coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market-implied volatility. Together, these calculations, along with considerations for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2023 and 2022. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks:

Credit Risk: The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure with its counterparties when the swap position has a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement.

The collateral thresholds are based on the prevailing ratings, as determined by Moody's and S&P, of each counterparty, in the case of the counterparties, or the hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2023 and 2022, neither the Authority nor any counterparty had been required to post collateral.

Basis Risk: The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds; but, under the terms of its swaps, the Authority receives a variable rate based upon either the one-month taxable London Interbank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) rate. Basis risk will vary over time due to inter-market conditions. For the years ended June 30, 2023 and 2022, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.15% and 1.07% per annum, respectively, while the weighted average interest rate on the swaps was 1.23% and 1.15% per annum, respectively. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax-exempt rates and the applicable swap index.

Termination Risk: The Authority's swap contracts are based upon the International Swap Dealers Association Master Agreement, which includes standard termination events. The swap contracts may be terminated by either party if the other party fails to perform under the terms of the contract. Upon termination, a payment is due to one party, irrespective of causality, based upon the fair value of the swap. The potential termination risks to the Authority are the liability for a termination payment to the counterparty or the inability to replace the swap under favorable financial terms. To reduce the Authority's termination risk, the swap contracts limit the counterparty's ability to terminate due to the following Authority actions or events: payment default, other defaults that remain uncured for 30 days after notice, bankruptcy and insolvency.

Amortization Risk: The Authority may incur amortization risk because prepayments from the mortgage loan portfolio may cause the outstanding amount of variable rate bonds to decline faster than the amortization of the swap. To ameliorate amortization risk, call options were structured within the swaps to enable the Authority to manage the outstanding balances of variable rate bonds and notional swap amounts. Additionally, the Authority may terminate the swaps at market value at any time.

(continued on next page)

Notes to Financial Statements

Tax Risk: The structure of the variable interest rate payments the Authority receives from its swap contracts are based upon the historical long-term relationship between taxable and tax-exempt short-term interest rates. Tax risk represents a risk that may arise due to a change in the tax code that may fundamentally alter this relationship. The Authority has chosen to assume this risk because it was not economically feasible to transfer to the swap counterparty.

Concentration Risk: The total outstanding bonds associated with swaps will be limited to thirty percent (30%) of the total of all outstanding bonds under the related indenture at the time bonds associated with swaps are issued. The total outstanding bonds associated with swaps with a single counterparty will not exceed \$150,000,000.

Swap Payments and Associated Debt: Variable-rate bond interest payments and net swap payments will vary during their term. Future debt service requirements of the variable-rate debt and net swap payments as of June 30, 2023, are as follows:

Year Ended June 30	Variable Rate Bond		Interest Rate	Total
	Principal	Interest	Swap - Net	
2024	\$ 320,000	\$ 9,856,096	\$ (4,328,748)	\$ 5,847,348
2025	325,000	9,842,464	(4,320,119)	5,847,345
2026	340,000	9,828,406	(4,311,221)	5,857,185
2027	340,000	9,813,922	(4,302,054)	5,851,868
2028	1,750,000	9,794,045	(4,290,627)	7,253,418
2029-2033	46,235,000	45,382,998	(19,099,288)	72,518,710
2034-2038	72,265,000	31,655,383	(12,768,043)	91,152,340
2039-2043	65,340,000	17,456,310	(6,175,038)	76,621,272
2044-2048	37,480,000	4,855,487	(1,677,983)	40,657,504
2049-2053	1,225,000	767,759	(435,686)	1,557,073
2054-2058	1,350,000	494,799	(280,788)	1,564,011
2059-2063	1,300,000	115,233	(65,392)	1,349,841
	<u>\$ 228,270,000</u>	<u>\$ 149,862,902</u>	<u>\$ (62,054,987)</u>	<u>\$ 316,077,915</u>

Rollover Risk: Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority did not have any rollover risk as of June 30, 2023 and 2022.

Mortgage-Backed Security (MBS) Forward Contracts:

The Authority has entered into forward contracts to hedge the interest rate risk of delivering MBS securities guaranteed by Ginnie Mae and Fannie Mae in the future, before the securities are ready for delivery (referred to as “to-be-announced” or TBA Mortgage-Backed Securities). These securities represent pools of qualified mortgage loans originated by Authority-approved lenders. The forward contracts offset the financial impact to the Authority of changes in interest rates between the time of loan reservations made to originating mortgage lenders and the securitization and sale of such loans as Ginnie Mae or Fannie Mae securities. The forward contracts are considered hedging derivative instruments and the fair values were obtained from an external pricing specialist using current trade pricing for similar financial instruments in active markets that the Authority has the ability to access. A positive fair value represents money due the Authority by the counterparty, while a negative fair value represents money payable by the Authority.

Notes to Financial Statements

The Authority did not have any outstanding forward sales contracts as of June 30, 2023, and the outstanding forward sales contracts as of June 30, 2022, are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2022	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2022	Standard & Poors Short Term Issuer Credit
Bank of America Securities						
FNMA	\$ 1,000,000	4/12/2022	7/14/2022	4.50%	\$ 10,000	A-1
FNMA	4,000,000	4/22/2022	7/14/2022	5.50%	625	A-1
FNMA	1,600,000	5/9/2022	7/14/2022	5.00%	(3,250)	A-1
FNMA	1,000,000	5/13/2022	8/11/2022	6.00%	1,250	A-1
GNMA II	1,000,000	5/18/2022	7/21/2022	5.00%	(5,781)	A-1
FNMA	1,000,000	6/8/2022	7/14/2022	5.00%	2,656	A-1
GNMA II	1,000,000	6/9/2022	8/18/2022	5.00%	(2,344)	A-1
GNMA II	(289,900)	6/16/2022	7/21/2022	5.00%	2,944	A-1
FNMA	(2,600,000)	6/27/2022	7/14/2022	5.00%	15,031	A-1
FNMA	1,000,000	6/27/2022	7/14/2022	6.00%	(3,281)	A-1
Bank of New York Mellon						
FNMA	1,000,000	4/13/2022	7/14/2022	5.00%	5,469	Not rated
FNMA	500,000	4/29/2022	7/14/2022	5.00%	781	Not rated
GNMA II	500,000	4/29/2022	7/21/2022	4.50%	(3,281)	Not rated
FNMA	500,000	5/2/2022	7/14/2022	5.00%	(527)	Not rated
GNMA II	500,000	5/3/2022	7/21/2022	4.00%	(1,016)	Not rated
FNMA	500,000	5/11/2022	8/11/2022	5.00%	2,031	Not rated
GNMA II	600,000	5/20/2022	7/21/2022	5.00%	(6,000)	Not rated
FNMA	30,400	6/8/2022	7/14/2022	4.50%	119	Not rated
FNMA	400,000	6/8/2022	7/14/2022	5.00%	688	Not rated
GNMA II	963,790	6/16/2022	7/21/2022	4.50%	(10,541)	Not rated
GNMA II	(500,000)	6/17/2022	7/21/2022	4.00%	5,781	Not rated
Bank of Oklahoma						
FNMA	2,500,000	4/18/2022	7/14/2022	5.00%	3,125	BBB+
FNMA	1,400,000	4/28/2022	7/14/2022	5.00%	(219)	BBB+
FNMA	(3,700,000)	6/27/2022	7/14/2022	5.00%	20,813	BBB+
Daiwa Capital Markets						
FNMA	1,000,000	5/4/2022	7/14/2022	5.00%	(1,094)	Not rated
FNMA	600,000	6/8/2022	8/11/2022	4.50%	2,063	Not rated
GNMA II	115,300	6/16/2022	7/21/2022	3.50%	(1,459)	Not rated
Jefferies						
FNMA	1,200,000	5/3/2022	7/14/2022	5.00%	(3,750)	A-2
GNMA II	1,000,000	5/5/2022	7/21/2022	4.50%	(10,625)	A-2
FNMA	500,000	5/10/2022	7/14/2022	5.00%	703	A-2
GNMA II	600,000	5/17/2022	7/21/2022	4.50%	(2,906)	A-2
FNMA	600,000	5/17/2022	8/11/2022	4.50%	1,313	A-2
FNMA	265,000	6/8/2022	7/14/2022	3.50%	2,733	A-2
FNMA	208,200	6/8/2022	7/14/2022	4.00%	1,366	A-2
GNMA II	360,000	6/16/2022	7/21/2022	4.00%	(4,669)	A-2
Piper Sandler						
FNMA	500,000	4/27/2022	7/14/2022	4.00%	3,359	Not rated
GNMA II	500,000	5/6/2022	7/21/2022	5.00%	(3,516)	Not rated
GNMA II	500,000	5/10/2022	7/21/2022	4.50%	(1,719)	Not rated
FNMA	1,000,000	6/2/2022	8/11/2022	5.00%	5,000	Not rated
GNMA II	700,000	6/2/2022	8/18/2022	5.00%	(438)	Not rated
	<u>\$ 23,552,790</u>				<u>\$ 21,434</u>	

(continued on next page)

Notes to Financial Statements

Note 10 - Fair Value:

The Authority had the following recurring fair value measurements as of June 30, 2023:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
U.S. Treasuries	\$ -	\$ 79,985,924	\$ -
U.S. Government agencies	-	1,114,659,931	-
Corporate-backed obligations	-	2,696,266	-
Money market mutual funds	341,653,580	-	-
Certificates of deposit	-	240,908	-
State obligations	-	10,273,285	-
Total investments by fair value level	<u>\$ 341,653,580</u>	<u>\$ 1,207,856,314</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest rate swaps	\$ -	\$ 22,059,427	\$ -
	<u>\$ -</u>	<u>\$ 22,059,427</u>	<u>\$ -</u>

The Authority had the following recurring fair value measurements as of June 30, 2022:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
U.S. Treasuries	\$ -	\$ 123,792,946	\$ -
U.S. Government agencies	-	974,500,000	-
Corporate-backed obligations	-	2,632,703	-
Money market mutual funds	341,794,414	-	-
Certificates of deposit	-	1,489,389	-
State obligations	-	8,126,878	-
Total investments by fair value level	<u>\$ 341,794,414</u>	<u>\$ 1,110,541,916</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest rate swaps	\$ -	\$ 14,614,969	\$ -
Forward MBS contracts	-	87,850	-
	<u>\$ -</u>	<u>\$ 14,702,819</u>	<u>\$ -</u>
Liabilities			
Forward MBS contracts	\$ -	\$ (66,416)	\$ -
	<u>\$ -</u>	<u>\$ (66,416)</u>	<u>\$ -</u>

(continued on next page)

Notes to Financial Statements

The Authority obtains its fair value pricing on investments from their third-party trustee. There are multiple pricing methodologies which are used to value the Authority's U.S. Treasury and Government Agency securities, Money Market Mutual Funds, Investment Agreements, Certificates of Deposit, and State Obligations. These methods include, but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods.

Money Market Mutual Funds classified as Level 1 are valued using quoted prices in active markets for those securities. Since the Authority's debt security investments are not actively traded on an exchange and rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third-party vendor. See Note 9 for further description of the fair value methodology for derivative instruments.

Note 11 - Net Position:

The State has pledged to, and agreed with, bondholders that it will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with them, or in any way impair the rights and remedies of the bondholders, until the bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such bondholders, are fully met and discharged. The net position of the indentures, other than the General Operating Account, are, therefore, restricted under the terms of the bond resolutions. The Authority may, however, subject to the provisions as defined in bond resolutions, transfer surplus earnings to the General Reserve Account in the General Operating Account. The Authority covenants that it will use money in the General Reserve Account only for the administration and financing of programs in accordance with the policy and purpose of the Act, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose.

Sub-accounts of the General Operating Account, established as part of the General Reserve Account on the basis of specified guidelines, are restricted at June 30 as follows:

	<u>2023</u>	<u>2022</u>
Bond and notes reserve	\$ 3,448,053	\$ 3,074,535
Program operations reserve	4,826,857	5,991,072
Total	<u><u>\$ 8,274,910</u></u>	<u><u>\$ 9,065,607</u></u>

Note 12 - Commitments:

As of June 30, 2023, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$125,871,058.
-

Notes to Financial Statements

Note 13 - Segment Information:

The Authority issues bonds to finance the purchase of single-family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the years ended June 30, 2023 and 2022, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2023			2022		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Condensed Statement of Net Position						
Assets						
Interfund receivables (payables)	\$ 19,223,799	\$ (11,819,576)	\$ (114,460)	\$ (30,607,109)	\$ (12,136,813)	\$ (490,104)
Current assets	526,850,532	8,408,840	20,557,449	508,789,696	8,177,481	8,361,139
Noncurrent assets	1,154,771,067	17,648,417	68,365,964	1,089,377,328	21,181,221	80,783,739
Total Assets	<u>1,700,845,398</u>	<u>14,237,681</u>	<u>88,808,953</u>	<u>1,567,559,915</u>	<u>17,221,889</u>	<u>88,654,774</u>
Deferred Outflows of Resources	2,048,140	-	-	2,249,866	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,702,893,538</u>	<u>\$ 14,237,681</u>	<u>\$ 88,808,953</u>	<u>\$ 1,569,809,781</u>	<u>\$ 17,221,889</u>	<u>\$ 88,654,774</u>
Liabilities						
Current liabilities	\$ 64,710,998	\$ 900,154	\$ 479,066	\$ 25,813,803	\$ 479,966	\$ 386,702
Noncurrent liabilities	1,320,198,989	13,491,844	19,760,000	1,203,940,955	15,903,728	20,180,000
Total Liabilities	<u>1,384,909,987</u>	<u>14,391,998</u>	<u>20,239,066</u>	<u>1,229,754,758</u>	<u>16,383,694</u>	<u>20,566,702</u>
Deferred Inflows of Resources	28,631,555	-	2,539,070	22,444,155	-	2,064,471
Total Liabilities and Deferred Inflows of Resources	<u>1,413,541,542</u>	<u>14,391,998</u>	<u>22,778,136</u>	<u>1,252,198,913</u>	<u>16,383,694</u>	<u>22,631,173</u>
Net Position						
Net investment in capital assets	-	-	(2,352,332)	-	-	(2,254,227)
Restricted by bond indentures	289,351,996	(154,317)	68,383,149	317,610,868	838,195	68,277,828
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 1,702,893,538</u>	<u>\$ 14,237,681</u>	<u>\$ 88,808,953</u>	<u>\$ 1,569,809,781</u>	<u>\$ 17,221,889</u>	<u>\$ 88,654,774</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 13,824,456	\$ 922,113	\$ 821,772	\$ (76,563,037)	\$ 616,735	\$ (3,461,379)
Operating expenses	37,824,377	650,260	814,556	33,313,321	921,249	624,644
Operating income	(23,999,921)	271,853	7,216	(109,876,358)	(304,514)	(4,086,023)
Transfers in (out)	(4,258,951)	(1,264,365)	-	(9,221,306)	728,182	-
Change in net position	(28,258,872)	(992,512)	7,216	(119,097,664)	423,668	(4,086,023)
Beginning net position	317,610,868	838,195	66,023,601	436,708,532	414,527	70,109,624
Ending net position	<u>\$ 289,351,996</u>	<u>\$ (154,317)</u>	<u>\$ 66,030,817</u>	<u>\$ 317,610,868</u>	<u>\$ 838,195</u>	<u>\$ 66,023,601</u>
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	\$ (165,702,435)	\$ 2,669,475	\$ (380,249)	\$ (193,291,265)	\$ 20,056,017	\$ (3,431,455)
Noncapital financing activities	113,492,261	(3,812,929)	(650,682)	(22,685,485)	(27,260,356)	(1,100,655)
Capital and related financing activities	-	-	(227,103)	-	-	(103,657)
Investing activities	49,242,104	1,786,367	3,130,120	226,300,987	510,560	2,110,097
Net change	(2,968,070)	642,913	1,872,086	10,324,237	(6,693,779)	(2,525,670)
Beginning cash and cash equivalents	332,278,514	5,104,909	4,723,228	321,954,277	11,798,688	7,248,898
Ending cash and cash equivalents	<u>\$ 329,310,444</u>	<u>\$ 5,747,822</u>	<u>\$ 6,595,314</u>	<u>\$ 332,278,514</u>	<u>\$ 5,104,909</u>	<u>\$ 4,723,228</u>

Notes to Financial Statements

Note 14 - Pension Plan:

Plan Information:

All employees working more than 20 hours per week during the year participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple-employer, defined-benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering, and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <https://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has four classes of members: Class A general members, Class B public safety and judicial members, Class C Cement Plant retirement fund members, and Class D Department of Labor and Regulation members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level. Class A and B eligible spouses of Foundation members will receive a 60 percent joint survivor benefit when the member dies.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater than or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater than or equal to the accrued liabilities.

(continued on next page)

Notes to Financial Statements

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

All benefits, except those depending on the member's accumulated contributions, are annually increased by the cost-of-living adjustment.

Contributions:

Per SDCL § 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Authority's share of contributions to the SDRS, at 6% of salary for the fiscal years ending June 30, 2023, 2022, and 2021, were \$250,240, \$233,212, and \$228,156, respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources to Pensions:

At June 30, 2022 and 2021, SDRS is 100.10% and 105.52%, respectively, funded and, accordingly, has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of SDRS, for the Authority as of the measurement period ending June 30, 2022 and 2021, respectively, and reported by the Authority as of June 30, 2023 and 2022 are as follows:

	2023	2022
Proportionate share of total pension liability	\$ 22,978,609	\$ 23,235,183
Less proportionate share of net position restricted for pension benefits	22,993,992	24,518,444
Proportionate share of net pension liability (asset)	\$ (15,383)	\$ (1,283,261)

At June 30, 2023 and 2022, the Authority reported a liability (asset) of (\$15,383) and (\$1,283,261), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 and 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2022, the Authority's proportion was 0.162777%, which was a decrease of 2.9% or 0.0047880 from its proportion measured as of June 30, 2021, of 0.167565%, which was an increase of 0.8% or 0.001394 from its proportion measured as of June 30, 2020, of 0.166171%.

For the years ended June 30, 2023 and 2022, the Authority recognized pension expense (reduction of pension expense) of (\$90,971), and (\$323,013), respectively. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 292,823	\$ 999
Changes in assumption	977,683	856,808
Net difference between projected and actual earnings on pension plan investments	-	36,864
Changes in proportion and difference between Authority contributions and proportionate share of contributions	7,224	7,272
Authority contributions subsequent to the measurement date	250,240	-
Total	\$ 1,527,970	\$ 901,943

(continued on next page)

Notes to Financial Statements

At June 30, 2023, there is \$250,240 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ended June 30:	
2024	\$ 97,627
2025	214,076
2026	(241,509)
2027	305,593
Total	<u>\$ 375,787</u>

At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 46,072	\$ 3,364
Changes in assumption	1,475,737	642,639
Net difference between projected and actual earnings on pension plan investments	-	1,833,164
Changes in proportion and difference between Authority contributions and proportionate share of contributions	4,971	13,647
Authority contributions subsequent to the measurement date	233,212	-
Total	<u>\$ 1,759,992</u>	<u>\$ 2,492,814</u>

At June 30, 2022, there was \$233,212 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that was recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed an average inflation rate of 2.5% and real returns of 4.00%.
Future COLAS	2.10%

Notes to Financial Statements

Mortality rates were based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	3.7%
Fixed Income	30.0%	1.1%
Real Estate	10.0%	2.6%
Cash	2.0%	0.4%
Total	100.0%	2.70%

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Notes to Financial Statements

Sensitivity of Asset to Changes in the Discount Rate:

The following presents the Authority's proportionate share of net pension liability (asset) as of June 30, 2023, calculated using the discount rate of 6.50%, as well as what the Authority'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 (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability (asset)	\$ 3,194,094	\$ (15,383)	\$ (2,638,373)

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

Note 15 - Contingencies:

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect upon the financial position of the Authority.

Note 16 - Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2023 and 2022, the Authority managed its risks as follows:

The Authority purchased insurance over property, workers' compensation, cyber, and health insurance for its employees from a commercial carrier. The Authority purchased its liability, errors and omissions, and employee practices liability coverage through its participation in the South Dakota Authority Captive Insurance Company, a component unit of the State of South Dakota. The Authority provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

Notes to Financial Statements

Note 17 - Capital Assets:

	Beginning Balance			Ending Balance
	July 1, 2022	Increase	Decrease	
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	<u>220,409</u>	<u>-</u>	<u>-</u>	<u>220,409</u>
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,355,547	292,627	30,914	4,617,260
Total capital assets depreciated	<u>10,617,405</u>	<u>292,627</u>	<u>30,914</u>	<u>10,879,118</u>
Total capital assets	<u>10,837,814</u>	<u>292,627</u>	<u>30,914</u>	<u>11,099,527</u>
Less accumulated depreciation for:				
Buildings	1,727,079	127,748	-	1,854,827
Land improvements	906,178	29,621	-	935,799
Furniture and equipment	3,573,307	259,215	30,914	3,801,608
Total accumulated depreciation	<u>6,206,564</u>	<u>416,584</u>	<u>30,914</u>	<u>6,592,234</u>
Capital assets, net	<u>\$ 4,631,250</u>	<u>\$ (123,957)</u>	<u>\$ -</u>	<u>\$ 4,507,293</u>

	Beginning Balance			Ending Balance
	July 1, 2021	Increase	Decrease	
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	<u>220,409</u>	<u>-</u>	<u>-</u>	<u>220,409</u>
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,701,563	107,743	453,759	4,355,547
Total capital assets depreciated	<u>10,963,421</u>	<u>107,743</u>	<u>453,759</u>	<u>10,617,405</u>
Total capital assets	<u>11,183,830</u>	<u>107,743</u>	<u>453,759</u>	<u>10,837,814</u>
Less accumulated depreciation for:				
Buildings	1,599,330	127,749	-	1,727,079
Land improvements	869,313	36,865	-	906,178
Furniture and equipment	3,754,735	272,331	453,759	3,573,307
Total accumulated depreciation	<u>6,223,378</u>	<u>436,945</u>	<u>453,759</u>	<u>6,206,564</u>
Capital assets, net	<u>\$ 4,960,452</u>	<u>\$ (329,202)</u>	<u>\$ -</u>	<u>\$ 4,631,250</u>

Notes to Financial Statements

Note 18 - Accounts Payable and Other Accruals:

Payables at June 30, 2023 and 2022, were as follows:

	2023	2022
Accounts Payable		
Contractual/Forex	\$ 29,529	\$ 51,561
Travel/moving costs	16,991	16,162
Office/marketing	48,476	13,541
Maintenance	6,251	27,109
Cost of issuance	10,250	399,387
General	888,989	8,600
Housing grants	6,250	-
Prepaid sales	246,008	440,520
Excise/unemployment tax	6,742	22,140
Materials/tools	146,870	323,044
	1,406,356	1,302,064
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued vacation	704,354	662,891
Accrued payroll/taxes	-	185,858
Employee withholdings	28,306	(42)
Servicing fee	31,982	38,370
Arbitrage payable	271,355	48,829
	3,392,353	3,187,970
Total accounts payable and other liabilities	3,392,353	3,187,970
Current liabilities	1,869,741	1,929,527
Noncurrent liabilities	\$ 1,522,612	\$ 1,258,443

Note 19 - Subsequent Events

In October 2023, the Authority issued Homeownership Mortgage Bonds Series 2023DEF in the aggregate principal amount of \$174 million, the proceeds of which are anticipated to be used to finance the Homeownership Mortgage Loan Program. In addition, the Authority entered into an interest rate swap agreement related to the 2023 Series F Bonds.

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South Dakota Housing Development Authority

Required Supplementary Information
June 30, 2023

Schedule of Authority's Contributions

As of June 30, 2023

South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 250	\$ 233	\$ 228	\$ 218	\$ 198	\$ 192	\$ 201	\$ 198	\$ 178	\$ -
Contributions in relation to the contractually required contribution	<u>250</u>	<u>233</u>	<u>228</u>	<u>218</u>	<u>198</u>	<u>192</u>	<u>201</u>	<u>198</u>	<u>178</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 4,171	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ -
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)

As of June 30, 2023

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.162777%	0.167565%	0.166171%	0.155522%	0.154284%	0.164311%	0.173927%	0.162348%	0.153799%	-%
Authority's proportionate share of net pension liability (asset)	\$ (15)	\$ (1,283)	\$ (7)	\$ (16)	\$ (4)	\$ (15)	\$ 588	\$ (689)	\$ (1,108)	\$ -
Authority's covered payroll	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ 2,760	\$ -
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.39%	-33.74%	-0.19%	-0.48%	-0.12%	-0.45%	17.57%	-22.94%	-40.14%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.1%	107.3%	

* The amounts presented were determined as of the plan's measurement date, which is one year prior to the Authority's fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Notes to Required Supplementary Information

Changes from Prior Valuation

The June 30, 2022, Actuarial Valuation reflects numerous changes to the actuarial assumptions as a result of an experience analysis completed since the June 30, 2021, Actuarial Valuation. In addition, two changes in actuarial methods have been implemented since the prior valuation.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

During the 2022 Legislative Session no significant SDRS benefit changes were made and gaming enforcement agents became Class B Public Safety Members.

Actuarial Assumption Changes

As a result of an experience analysis covering the period from July 1, 2016 to June 30, 2021, and presented to the SDRS Board of Trustees in April and June 2022, significant changes to the actuarial assumptions were recommended by the SDRS Senior Actuary and adopted by the Board of Trustees first effective for the June 30, 2022, actuarial valuation.

The changes to economic assumptions included increasing the price inflation to 2.50% and increasing the wage inflation to 3.15%. The current assumed investment return assumption of 6.50% was retained, lowering the assumed real investment return to 4.00%. The baseline COLA assumption of 2.25% was also retained. Salary increase assumptions were modified to reflect the increase in assumed wage inflation and recent experience. The assumed interest on accumulated contributions was decreased to 2.25%.

The demographic assumptions were also reviewed and revised. The mortality assumption was changed to the Pub-2010 amount-weighted tables using separate tables for teachers, general, and public safety retirees, with assumptions for retirees adjusted based on credible experience. The mortality assumption for active and terminated vested members was changed to the unadjusted amount-weighted Pub-2010 tables, again by member classification and the assumption for beneficiaries was changed to the amount-weighted Pub-2010 general contingent survivor table. Adjustments based on experience were also made to the assumptions regarding retirement, termination, disability, age of spouses for married Foundation members, percentage of terminated vested members electing a refund, and benefit commencement age for terminated vested Public Safety members with 15 or more years of service.

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0% (0.5% prior to 2021) and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

As of June 30, 2021, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was greater than 100% and the full 0% to 3.5% COLA range was payable. For the June 30, 2021, Actuarial Valuation, future COLAs were assumed to equal the baseline COLA assumption of 2.25%.

Notes to Required Supplementary Information

As of June 30, 2022, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is less than 100% and the July 2023 SDRS COLA is limited to a restricted maximum of 2.10%. The July 2023 SDRS COLA will equal inflation, between 0% and 2.10%. For the June 30, 2022, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 2.10%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027, Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027, Actuarial Valuation.

Actuarial Method Changes

Actuarial method changes with minor impact were implemented for this valuation after recommendation by Cavanaugh Macdonald Consulting as part of their reviews of prior valuations. As a result, liabilities and normal costs for refund benefits and the Generational Variable Retirement Account are now calculated using the entry age normal cost method with normal costs based on the expected value of these accounts rather than the actual balance.



South Dakota Housing Development Authority

Supplementary Information
June 30, 2023

Supplemental Schedule of Net Position

As of June 30, 2023

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 243,610,859	\$ 329,310,444	\$ 5,747,822	\$ 6,595,314	\$ 585,264,439
Investment securities - other	-	4,887,864	-	12,819,397	17,707,261
Investments - program mortgage-backed securities	-	162,870,000	1,108	-	162,871,108
Mortgage loans receivable, net	5,888,321	24,200,926	2,565,033	762,653	33,416,933
Interest receivable	2,665	5,581,298	94,877	380,085	6,058,925
Other receivables	1,824,866	-	-	-	1,824,866
Other assets	3,956,543	-	-	-	3,956,543
Total Current Assets	255,283,254	526,850,532	8,408,840	20,557,449	811,100,075
Noncurrent Assets					
Investment securities - other	-	166,444,373	4,903,616	41,769,826	213,117,815
Investments - program mortgage-backed securities	-	814,154,594	5,537	-	814,160,131
Mortgage loans receivable, net	89,542,174	119,687,484	12,739,264	20,649,400	242,618,322
Line of credit receivable	-	33,469,656	-	-	33,469,656
Other receivables	15,383	1,494,603	-	-	1,509,986
Hedging derivatives	-	19,520,357	-	2,539,070	22,059,427
Capital assets, net	1,099,625	-	-	3,407,668	4,507,293
Due from (to) other funds	(7,289,763)	19,223,799	(11,819,576)	(114,460)	-
Total Noncurrent Assets	83,367,419	1,173,994,866	5,828,841	68,251,504	1,331,442,630
Total Assets	338,650,673	1,700,845,398	14,237,681	88,808,953	2,142,542,705
Deferred Outflows of Resources					
Loss on refunding	-	2,048,140	-	-	2,048,140
Related to pensions	1,527,970	-	-	-	1,527,970
Total Assets and Deferred Outflows of Resources	\$ 340,178,643	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953	\$ 2,146,118,815

(continued on next page)

Supplemental Schedule of Net Position

As of June 30, 2023

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Liabilities					
Current Liabilities					
Bonds payable	\$ -	\$ 56,757,307	\$ 820,000	\$ 420,000	\$ 57,997,307
Accrued interest payable	-	7,925,875	75,988	37,166	8,039,029
Unearned revenue	21,000,000	-	-	-	21,000,000
Accounts payable and other liabilities	1,815,859	27,816	4,166	21,900	1,869,741
Multifamily escrows and reserves	1,375,325	-	-	-	1,375,325
Total Current Liabilities	24,191,184	64,710,998	900,154	479,066	90,281,402
Noncurrent Liabilities					
Bonds payable	-	1,319,949,534	13,491,844	19,760,000	1,353,201,378
Accounts payable and other liabilities	1,273,157	249,455	-	-	1,522,612
Unearned revenue	51,808,423	-	-	-	51,808,423
Total Noncurrent Liabilities	53,081,580	1,320,198,989	13,491,844	19,760,000	1,406,532,413
Total Liabilities	77,272,764	1,384,909,987	14,391,998	20,239,066	1,496,813,815
Deferred Inflows of Resources					
Gain on refunding	-	9,111,198	-	-	9,111,198
Swaps	-	19,520,357	-	2,539,070	22,059,427
Related to pensions	901,943	-	-	-	901,943
Total Liabilities and Deferred Inflows of Resources	78,174,707	1,413,541,542	14,391,998	22,778,136	1,528,886,383
Net Position					
Net investment in capital assets	1,099,625	-	-	(2,352,332)	(1,252,707)
Restricted for pension benefits	641,410	-	-	-	641,410
Restricted by statute	170,540,923	-	-	-	170,540,923
Restricted by bond indentures	-	289,351,996	(154,317)	68,383,149	357,580,828
Restricted by HOME, HTF, NSP and HAF Program	89,721,978	-	-	-	89,721,978
Total Net Position	262,003,936	289,351,996	(154,317)	66,030,817	617,232,432
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 340,178,643	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953	\$ 2,146,118,815

Supplemental Schedule of Operations and Changes in Net Position

For the Year Ended June 30, 2023

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Operating Revenues					
Interest income on mortgage loans	\$ 238,000	\$ 5,743,007	763,263	\$ 731,569	\$ 7,475,839
Earnings - investments and program mortgage-backed securities	4,936,514	44,374,032	403,963	1,410,086	51,124,595
Net decrease in fair value of investments and program mortgage-backed securities	(2,680,052)	(36,292,583)	(245,113)	(1,324,333)	(40,542,081)
HUD contributions	40,500,014	-	-	-	40,500,014
U.S. Treasury contributions/COVID	20,446,249	-	-	-	20,446,249
State contributions	-	-	-	-	-
Fee, grant and other income	6,783,799	-	-	4,450	6,788,249
Total Operating Revenues	70,224,524	13,824,456	922,113	821,772	85,792,865
Operating Expenses					
Interest	-	34,234,934	457,784	462,950	35,155,668
Housing assistance payments HUD	27,647,206	-	-	-	27,647,206
Housing assistance payments/COVID	20,446,249	-	-	-	20,446,249
Servicer fees	-	409,171	72,018	-	481,189
Arbitrage rebate expense (benefit)	-	210,078	-	12,449	222,527
General and administrative	7,167,480	414,005	-	197,904	7,779,389
Bond financing costs	-	2,471,593	100,000	74,750	2,646,343
Other housing programs	9,212,053	-	-	66,503	9,278,556
Provision for loan loss	4,986,584	84,596	20,458	-	5,091,638
Total Operating Expenses	69,459,572	37,824,377	650,260	814,556	108,748,765
Changes in Net Position Before Interfund Transfers	764,952	(23,999,921)	271,853	7,216	(22,955,900)
Interfund Transfers	5,523,316	(4,258,951)	(1,264,365)	-	-
Changes in Net Position	6,288,268	(28,258,872)	(992,512)	7,216	(22,955,900)
Net Position, Beginning of Fiscal Year	255,715,668	317,610,868	838,195	66,023,601	640,188,332
Net Position, End of Fiscal Year	\$ 262,003,936	\$ 289,351,996	\$ (154,317)	\$ 66,030,817	\$ 617,232,432

TABLE I

Amounts Available to Purchase Qualified Homeownership Mortgage Loans

Series of Bonds	Date of Issuance or Remarketing to Maturity	Mortgage Loan Interest Rate	Total Amount Available to Purchase Mortgage Loans	Amount Committed for Mortgage Loans	Amount Available for Commitment
2021 Series B	8/4/2021	various	\$ 18,468,292	\$ -	\$ 18,468,292
2022 Series B	2/10/2022	various	(214,867)	-	(214,867)
2022 Series D	6/23/2022	various	48,365,902	-	48,365,902
2023 Series A	2/15/2023	various	69,118,102	-	69,118,102
2023 Series BC	2/15/2023	various	34,155,958	-	34,155,958
			<u>\$ 169,893,387</u>		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

Type of Home	Number of Homes
Single Family Detached	94.99%
Single Family Townhouse/Condominium	2.97%
Two-Four Unit	0.51%
Modular-Manufactured	1.53%
	<u>100.00%</u>

TABLE III

Outstanding Step Homeownership Mortgage Loans

Years Outstanding	Number	Principal Amount
1	-	\$ -
2	-	-
3	-	-
4	-	-
5 or more	182	6,171,464
Total	<u>182</u>	<u>\$ 6,171,464</u>

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	21	1,372,232	6.250%	12	481,875
3.850%	2	195,722	6.375%	3	236,088
4.125%	40	2,216,637	6.400%	20	423,527
4.250%	7	432,895	6.450%	5	72,169
4.375%	53	3,589,272	6.500%	117	2,467,716
4.500%	24	1,441,649	6.600%	1	1,812
4.600%	1	38,153	6.625%	2	109,911
4.625%	17	1,265,555	6.650%	15	269,003
4.750%	385	17,198,725	6.750%	15	159,451
4.850%	39	2,518,883	6.850%	11	233,714
4.870%	32	2,226,156	6.890%	6	65,353
4.950%	380	15,630,550	6.900%	9	165,277
5.000%	15	891,710	6.950%	23	596,739
5.125%	63	3,103,204	7.110%	29	530,669
5.150%	67	3,003,321	7.250%	22	168,387
5.250%	138	7,084,096	7.300%	13	91,391
5.375%	75	3,718,364	7.360%	2	21,809
5.425%	13	750,695	7.400%	8	177,986
5.450%	11	469,396	7.450%	3	64,191
5.500%	244	11,921,326	7.550%	3	83,699
5.625%	20	1,144,429	7.600%	6	49,236
5.750%	30	1,626,818	7.625%	-	-
5.850%	50	2,912,220	7.650%	1	31,739
5.950%	248	7,641,740	7.875%	-	-
6.000%	37	1,393,465	7.950%	6	49,380
6.125%	6	508,310	8.100%	-	-
6.150%	1	58,781			
				2,351	\$ 100,905,426

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor	Percent of Principal Amount
FHA	32.78%
VA	4.16%
USDA Rural Development	42.51%
Private Mortgage Insurance	
Mortgage Guaranty Insurance Company	0.16%
Genworth	0.01%
PMI	0.02%
United Guaranty Insurance	0.00%
CMG Mortgage Insurance Company	0.00%
Total PMI Insured Mortgage Loans	0.19%
Total Insured Mortgage Loans	79.64%
Uninsured	20.36%
Total All Mortgage Loans	100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
First Interstate	\$ 69,498,336
Bankwest	3,637,428
CorTrust Mortgage	21,312,622
First Bank & Trust	5,438,843
CU Mortgage	1,018,197
	\$ 100,905,426

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2023	As of 6/30/2022	As of 6/30/2023	As of 6/30/2022
31-60 Days (one payment) Delinquent	4.89%	6.32%	4.07%	7.45%
61-90 Days (two payments) Delinquent	1.79%	1.12%	0.68%	1.55%
91 Days or More (three or more payments) Delinquent	0.85%	1.23%	0.34%	0.31%
Total Delinquent	7.53%	8.67%	5.09%	9.31%
In Foreclosure	0.98%	0.77%	0.00%	0.62%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	\$ 1,731,457,115
Amount of Outstanding Homeownership Bonds	\$ 1,344,841,139
Parity Calculation	119.28%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 25,247,308
Amount of Outstanding Single Family Bonds	\$ 14,200,000
Parity Calculation	177.80%
Parity Requirement	100.00%
Value of Principal Assets of Multi-Purpose Program	\$ 24,233,861
Amount of Outstanding Multi-Purpose Bonds	\$ 20,180,000
Parity Calculation	120.09%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority

Homeownership Program	\$ 127,340,844
Single Family Program	\$ 643,678
Multi-Purpose Program	\$ 56,359,541

Table X

Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2023:

Development	Location	Number of Units	Twelve Month		Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans	
			Occupancy Average (2)					Amount (3)	Interest Rate
Old Main	Canton	26	NA %	\$	428,062	\$ -	- %	\$ -	%
Sagewood	Yankton	10	NA		227,825	-	-	-	
South Sycamore Estates	Sioux Falls	16	NA		695,690	155,619	0.00	-	
Edmonton Heights	Gregory	16	NA		524,000	-	-	142,650	3.00
Pheasant Valley Courtyard	Milbank	60	96.3		1,556,000	416,833	5.00	-	
Homestead Heights	Bison	16	NA		355,400	-	-	-	
JARD Apartments	Sisseton	16	NA		343,960	-	-	-	
Canterbury House	Sioux Falls	50	NA		1,278,200	-	-	-	
Lynlo Heights	Armour	20	68.8		462,900	-	-	146,847	3.00
The Lidi	Tyndall	24	NA		493,500	-	-	-	
Huey Apartments	Sioux Falls	46 (1)	NA		1,390,000	-	-	-	
Bi-Centennial Apts	Aberdeen	48	NA		1,026,244	-	-	-	
Grandview Apartments	Mitchell	34	NA		734,500	-	-	-	
Heritage Estates II	Brookings	44	NA		912,000	-	-	-	
Prairie View	Madison	25 (1)	NA		576,000	-	-	-	
Maplewood Townhouses	Rapid City	50	NA		2,859,100	-	-	-	
Canyon Ridge	Yankton	60	NA		1,575,600	-	-	-	
Lombardi Courts	Mitchell	30	NA		977,500	-	-	-	
Fifth Avenue South	Aberdeen	50	NA		1,400,000	-	-	-	
Woodland Hills	Sioux Falls	32	NA		1,100,000	-	-	-	
The Evans	Hot Springs	86 (1)	89.7		3,094,600	-	-	515,604	2.50
Dakota Square	Aberdeen	55	NA		1,730,300	-	-	-	
Majestic View Townhouses	Hot Springs	20	92.1		596,630	-	-	78,484	4.25
Seneschal Apts	Philip	16	NA		520,000	-	-	-	
Riverview Townhouses	Philip	10	NA		320,000	-	-	-	
Gateway I Apts	Kadoka	16	NA		479,000	-	-	-	
The Sherman	Aberdeen	51	NA		1,950,000	-	-	-	
Parkview Apts	Madison	28	NA		890,000	-	-	-	
Oakwood Apts	Vermillion	28	NA		890,000	-	-	-	
Arthur Courts	Redfield	16	NA		510,000	-	-	-	
Terrawood Townhouses	Sioux Falls	4	NA		100,900	-	-	-	
Beadle Plaza	Sioux Falls	44	NA		1,353,096	-	-	-	
St. Cloud Apts	Rapid City	16 (1)	NA		562,000	-	-	-	
Gateway II Apts	Kadoka	14	NA		463,800	-	-	-	
Grand Valley Apts	Newell	12	NA		368,600	-	3.00	-	
Sir Charles	Yankton	34	NA		1,184,200	-	-	-	
Timberland	Lead	24	91.3		85,300	-	-	942,036	3.75-5.00
Collins Apts	Sioux Falls	23	NA		670,000	-	-	-	
Baha Townhouses	Sioux Falls	21	NA		778,900	-	-	-	
Hospitality Apts	Sioux Falls	22	NA		461,599	-	-	-	
Whiting Court	Yankton	17	NA		601,284	-	-	-	
Prairie West	Lemmon	24	NA		630,900	-	-	-	
Sun Rise Apts	Aberdeen	27	NA		474,500	-	-	-	
Cedar Apts	Brookings	32	NA		1,068,800	-	-	-	
The Lidi II	Tyndall	10 (1)	NA		255,000	-	-	-	
Gold Mountain Apt.	Lead	20	96.7		272,490	201,826	9.65	133,567	0.00
Calypto Court	Chamberlain	16	NA		550,000	-	-	-	
Riverview Park	Sioux Falls	50	NA		1,873,700	-	-	-	
Olive Grove Apts	Sioux Falls	19	NA		601,271	-	-	-	
Sunnycrest	Sioux Falls	222	96.8		7,320,000	5,524,163	3.55 - 4.65	-	
Sunnycrest	Sioux Falls	60	98.0		8,500,000	8,189,361	3.50	-	
					<u>\$ 58,073,351</u>	<u>\$ 14,487,802</u>		<u>\$ 1,959,188</u>	

(1) One unit, or in the case of Huey Apartments and The Lidi II, two units, are not the subject of housing assistance payments under the Section 8 Program.

(2) Occupancy rate for the twelve month period ending June 30, 2023.

(3) Amounts are balances as of June 30, 2023.

Table XI

Outstanding Guaranteed Mortgage Securities as of June 30, 2023

Pass Through Rate	Principal Amount	Pass Through Rate	Principal Amount
1.6750	\$ 173,638	3.6750	5,703,702
1.8000	913,489	3.7750	1,085,064
1.9250	9,623,835	3.8000	3,399,761
2.0000	48,520,490	3.9000	53,361
2.0250	739,145	3.9250	4,245,146
2.0300	103,408	4.0000	40,705,910
2.0500	540,808	4.0500	1,158,560
2.1750	15,531,662	4.1750	9,843,329
2.2500	2,250,063	4.2750	93,189
2.2750	1,142,882	4.3000	4,361,424
2.2800	314,198	4.4250	12,065,770
2.3000	25,213,229	4.4500	64,235
2.4250	28,695,651	4.5000	23,098,045
2.5000	255,595,721	4.5500	3,784,705
2.5250	1,233,873	4.5750	47,022
2.5300	121,011	4.6250	41,142
2.5500	14,514,418	4.6750	6,759,735
2.6250	308,580	4.8000	3,639,746
2.6500	365,609	4.9250	3,589,308
2.6750	15,695,057	5.0000	47,227,917
2.7500	896,301	5.0500	11,899,771
2.7750	874,786	5.1750	4,906,257
2.8000	12,689,078	5.2500	32,822
2.8750	47,711	5.3000	7,881,216
2.9000	199,008	5.4250	8,033,189
2.9250	19,782,885	5.5000	49,026,874
3.0000	142,180,727	5.5500	8,837,497
3.0250	3,088,216	5.6750	12,278,945
3.0500	12,268,663	5.8000	8,610,736
3.1250	46,749	5.9250	8,477,053
3.1500	1,043,972	6.0000	18,056,676
3.1750	6,363,614	6.0500	2,633,179
3.2500	274,597	6.1750	2,169,225
3.2750	2,391,028	6.3000	2,556,914
3.3000	10,407,109	6.4250	1,364,955
3.3750	118,108	6.5000	20,352,165
3.4000	34,587	6.5500	3,487,024
3.4250	5,977,051	6.6750	377,570
3.5000	65,213,616	6.8000	986,331
3.5250	1,284,251	7.0000	1,685,049
3.5500	13,842,640	7.0500	362,905
3.6500	861,076	7.1750	649,514
		Total	\$ 1,067,115,478