# South Dakota Housing Development Authority

Financial Report

June 30, 2022 and 2021

EideBailly

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# 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, 2022 and 2021, 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, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(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, 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 45 through 47 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Dakota Housing Development Authority's basic financial statements. The supplementary schedules and tables set forth on pages 48 through 56 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and tables 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 14, 2022, on our consideration of the 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 the 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 the South Dakota Housing Development Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
October 14, 2022

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, 2022 (FY 2022) and 2021 (FY 2021). 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 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.

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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 2022, FY 2021, and FY 2020 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 2022 | FY 2021 | FY 2020 | % Change 2022/2021 | % Change 2021/2020 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Interest on mortgages | $ 8.7 | $ 11.0 | $ 14.0 | -20.9% | -21.4% |
| Investment income | 37.5 | 49.1 | 45.7 | -23.6% | 7.4% |
| Increase (decrease) in fair market value of investments and program MBS | (125.4) | (22.4) | 47.9 | -459.8% | -146.8% |
| HUD contributions | 35.5 | 33.0 | 30.9 | 7.6% | 6.8% |
| U.S. Treasury contributions | 31.9 | 13.9 | - | 129.5% | - |
| State contributions | 150.0 | - | - | - | - |
| Other income | 7.7 | 7.9 | 8.6 | -2.5% | -8.1% |
| Total revenues | 145.9 | 92.5 | 147.1 | 57.7% | -37.1% |
| Expenses: | | | | | |
| Interest | 29.1 | 34.4 | 37.1 | -15.4% | -7.3% |
| Servicer fees | 0.6 | 0.8 | 1.1 | -25.0% | -27.3% |
| General and administrative | 7.3 | 7.3 | 7.1 | 0.0% | 2.8% |
| HUD housing assistance payments | 27.0 | 24.1 | 23.3 | 12.0% | 3.4% |
| U.S. Treasury housing assistance payments | 31.9 | 13.9 | - | 129.5% | - |
| Other | 16.7 | 15.2 | 15.4 | 9.9% | -1.3% |
| Total expenses | 112.6 | 95.7 | 84.0 | 17.7% | 13.9% |
| Change in net position | $ 33.3 | $ (3.2) | $ 63.1 | -1140.6% | -105.1% |

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**Changes in Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (In Millions of Dollars)**

| | FY 2022 | FY 2021 | FY 2020 | % Change 2022/2021 | % Change 2021/2020 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and equivalents | $ 574.7 | $ 369.2 | $ 254.2 | 55.7% | 45.2% |
| Investments | 1,110.5 | 1,419.8 | 1,246.4 | -21.8% | 13.9% |
| Mortgages | 283.1 | 308.2 | 355.3 | -8.1% | -13.3% |
| Line of credit receivable | 45.9 | 44.8 | 69.4 | 2.5% | -35.4% |
| Interest receivable | 4.0 | 4.4 | 4.7 | -9.1% | -6.4% |
| Capital assets | 4.6 | 5.0 | 5.1 | -8.0% | -2.0% |
| Other | 24.3 | 8.4 | 5.9 | 189.3% | 42.4% |
| Total assets | 2,047.1 | 2,159.8 | 1,941.0 | -5.2% | 11.3% |
| Deferred Outflows of Resources | | | | | |
| Deferred loss on refunding | 2.2 | 2.7 | 2.9 | -18.5% | -6.9% |
| Deferred forward contract outflow | 0.1 | 0.1 | 1.0 | 0.0% | -90.0% |
| Deferred swap outflow | - | 4.7 | 9.4 | -100.0% | -50.0% |
| Deferred outflow related to pension | 1.8 | 1.2 | 0.9 | 50.0% | 33.3% |
| Total assets and deferred outflows | $ 2,051.2 | $ 2,168.5 | $ 1,955.2 | -5.4% | 10.9% |
| Liabilities: | | | | | |
| Current bonds payable | $ 21.8 | $ 50.4 | $ 51.6 | -56.7% | -2.3% |
| Interest payable | 4.7 | 5.9 | 6.3 | -20.3% | -6.3% |
| Fair value of hedging derivatives | 0.1 | 4.8 | 10.3 | -97.9% | -53.4% |
| Other | 4.6 | 4.5 | 6.4 | 2.2% | -29.7% |
| Unearned revenue | 112.8 | 261.9 | - | -56.9% | - |
| Noncurrent bonds payable | 1,240.0 | 1,224.8 | 1,267.0 | 1.2% | -3.3% |
| Total liabilities | 1,384.0 | 1,552.3 | 1,341.6 | -10.8% | 15.7% |
| Deferred Inflows of Resources | | | | | |
| Deferred forward contract inflow | 0.1 | - | 0.1 | - | -100.0% |
| Deferred gain on refunding inflow | 9.8 | 5.8 | 2.8 | 69.0% | 107.1% |
| Deferred swap inflow | 14.6 | 2.5 | 0.3 | 484.0% | 733.3% |
| Deferred inflow related to pension | 2.5 | 1.0 | 0.3 | 150.0% | 233.3% |
| Total liabilities and deferred inflows | 1,411.0 | 1,561.6 | 1,345.1 | -9.6% | 16.1% |
| Net Position: | | | | | |
| Net investment in capital assets | (1.2) | (1.0) | (1.0) | -20.0% | 0.0% |
| Restricted by state statute | 169.2 | 14.1 | 14.5 | 1100.0% | -2.8% |
| Restricted for pension benefits | 0.6 | 0.2 | 0.6 | 200.0% | -66.7% |
| Restricted by bond indentures | 386.7 | 509.4 | 516.5 | -24.1% | -1.4% |
| Restricted by HOME, HTF and NSP programs | 84.9 | 84.2 | 79.5 | 0.8% | 5.9% |
| Total net position | 640.2 | 606.9 | 610.1 | 5.5% | -0.5% |
| Total liabilities, deferred inflows, and net position | $ 2,051.2 | $ 2,168.5 | $ 1,955.2 | -5.4% | 10.9% |

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**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 of half of FY 2012, 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 $1,110.5 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.

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- 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 have 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.

**Financial Highlights for FY 2021**

- Total operating revenues decreased 37.1% to $92.5 million for FY 2021, from $147.1 million for FY 2020. The main factor contributing to this decrease was from market value adjustments on investments.

- Total operating expenses increased 13.9% to $95.7 million for FY 2021, from $84.0 million for FY 2020. The primary component of the increase was from COVID-related housing assistance payments.

- Net position of the Authority for FY 2021 was $606.9 million, which represented a decrease of $3.2 million, or 0.5%, from the FY 2020 net position level.

- Mortgage loans receivable, net of adjustments for the potential for loan loss, was $308.2 million at the end of FY 2021, which represented a decrease of $47.1 million, or 13.3%, for FY 2021 from the FY 2020 level of $355.3 million. In the last of half of FY 2012, 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.

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- Investments were $1,419.8 million at the end of FY 2021, which represented an increase of $173.4 million, or 13.9%, from the FY 2020 total of $1,246.4 million. The increase is primarily related to unspent U.S. Treasury housing assistance payments. As of June 30, 2021, $261.9 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 $44.8 million at the end of FY 2021 and $69.4 million at the end of FY 2020.

- Interest income on mortgage loans was $11.0 million for FY 2021, which represented a decrease of $3.0 million from the $14.0 million reported in FY 2020. As the loan balance decreased, so did the interest income on loans.

- Investment income was $49.1 million for FY 2021, which represented an increase of $3.4 million, or 7.4%, in FY 2021 from $45.7 million for FY 2020 due to the additional U.S. Treasury funds received and held as investments in FY 2021. The fair market value decreased by $22.4 million in FY 2021 and increased by $47.9 million in FY 2020. The FY 2021 fair market decrease was a result of rising interest rates 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 $19.2 million for FY 2021 compared to $15.2 million for FY 2020.

- Deferred outflows of resources from interest rate swaps at the end of FY 2021 decreased to $4.7 million from $9.4 million at the end of FY 2020, or 50.0%. Deferred inflows of resources from interest rate swaps at the end of FY 2021 increased to $2.5 million from $0.3 million at the end of FY 2020, or 733.3%. See Note 9 for a list of the Authority's swaps outstanding.

- Bonds and notes outstanding of the Authority were $1,275.2 million for FY 2021, which was a decrease of $43.4 million, or 3.3%, in FY 2021 from $1,318.6 million in FY 2020 due to more bonds being redeemed or maturing during the year than bonds being issued.

- Unearned revenue consists of $261.9 million of funds received from the U.S. Treasury to fund COVID-related programs that has not been spent as of June 30, 2021.

- Interest expense on bonds and notes outstanding decreased $2.7 million, or 7.3%, in FY 2021 from $37.1 million in FY 2020 due to a lower weighted average interest rate on the bonds outstanding.

- The Authority performed an operating transfer of $5.5 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.

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**Loan Portfolio Activity for FY 2022 and FY 2021**

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 $421 million of MBS's during FY 2022 compared to $441 million in FY 2021.

The Homeownership Mortgage Loan Program purchased approximately $441 million of MBS's during FY 2021 compared to $444 million in FY 2020.

**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 2022, the Authority had $1,261.8 million in bonds outstanding, a 1.1% decrease from FY 2021. As of FY 2021, the Authority had $1,275.2 million in bonds outstanding, a 3.3% increase from FY 2020.

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 issued a total of $212.8 million in bonds in FY 2021 as new long-term debt. Of that amount, $30.1 million was new money and used to finance the Homeownership Mortgage Loan Program and $8.5 million for multifamily development. $167.9 million was used to replacement refund existing bonds, and $6.3 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 $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 retired or paid at maturity a total of $257.4 million in bonds in FY 2021. $248.2 million was redeemed from refundings, prepayments, and excess reserves and $9.2 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2022 and FY 2021, and rated Aaa by Moody's Investors Service in FY 2022 and FY 2021. In FY 2022 and FY 2021, 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 2022 and FY 2021. 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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**Capital 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.

Capital assets decreased by $0.1 million in FY 2021 from $5.1 million in FY 2020. 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 105.52% funded. The State's foreclosure rate of 0.36%, delinquency rate of 2.48%, and a shrinking unemployment rate since the onset of COVID-19 (currently 2.3%) 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*** | **2022** | 2021 |
|---|---|---|
| ***Current Assets*** | | |
| Cash and cash equivalents (Note 3) | **$ 574,682,968** | $ 369,176,221 |
| Investment securities - other (Note 3) | **10,498,174** | 218,181,003 |
| Investments - program mortgage-backed securities (Note 3) | **138,652,969** | 148,514,661 |
| Mortgage loans receivable, net (Note 4) | **34,040,064** | 39,382,095 |
| Interest receivable | **4,003,851** | 4,412,512 |
| Other receivables | **1,216,278** | 1,034,624 |
| Other assets | **5,759,116** | 3,517,261 |
| Hedging derivatives (Note 9) | **87,850** | 34,894 |
| ***Total Current Assets*** | **768,941,270** | 784,253,271 |
| ***Noncurrent Assets*** | | |
| Investment securities - other (Note 3) | **268,292,280** | 310,674,904 |
| Investments - program mortgage-backed securities (Note 3) | **693,098,494** | 742,395,126 |
| Mortgage loans receivable, net (Note 4) | **249,087,690** | 268,810,054 |
| Line of credit receivable (Note 5) | **45,917,102** | 44,807,586 |
| Other receivables | **2,555,173** | 1,341,018 |
| Hedging derivatives (Note 9) | **14,614,969** | 2,536,996 |
| Capital assets, at cost, less accumulated depreciation (Note 17) | **4,631,250** | 4,960,452 |
| ***Total Noncurrent Assets*** | **1,278,196,958** | 1,375,526,136 |
| ***Total Assets*** | **2,047,138,228** | 2,159,779,407 |
| ***Deferred Outflows of Resources*** | | |
| Loss on refundings | **2,183,450** | 2,681,621 |
| Forward contracts (Note 9) | **66,416** | 76,281 |
| Swaps (Note 9) | **-** | 4,762,572 |
| Related to pensions (Note 14) | **1,759,992** | 1,183,398 |
| ***Total Assets and Deferred Outflows of Resources*** | **$ 2,051,148,086** | $ 2,168,483,279 |
| | | |
| ***Liabilities*** | | |
| ***Current Liabilities*** | | |
| Bonds payable (Note 6) | **$ 21,795,300** | $ 50,392,055 |
| Accrued interest payable | **4,731,557** | 5,905,215 |
| Unearned revenue | **41,398,587** | 211,385,535 |
| Accounts payable and other liabilities (Note 18) | **1,929,527** | 1,148,954 |
| Multifamily escrows and reserves | **1,397,716** | 2,094,180 |
| Hedging derivatives (Note 9) | **66,416** | 76,281 |
| ***Total Current Liabilities*** | **71,319,103** | 271,002,220 |
| ***Noncurrent Liabilities*** | | |
| Bonds payable (Note 6) | **1,240,024,683** | 1,224,759,010 |
| Unearned revenue | **71,356,085** | 50,531,253 |
| Accounts payable and other liabilities (Note 18) | **1,258,443** | 1,230,736 |
| Hedging derivatives (Note 9) | **-** | 4,762,572 |
| ***Total Noncurrent Liabilities*** | **1,312,639,211** | 1,281,283,571 |
| ***Total Liabilities*** | **1,383,958,314** | 1,552,285,791 |
| ***Deferred Inflows of Resources*** | | |
| Forward contracts (Note 9) | **87,850** | 34,894 |
| Gain on refundings | **9,805,807** | 5,818,101 |
| Swaps (Note 9) | **14,614,969** | 2,536,996 |
| Related to pensions (Note 14) | **2,492,814** | 963,189 |
| ***Total Liabilities and Deferred Inflows of Resources*** | **1,410,959,754** | 1,561,638,971 |
| ***Net Position*** | | |
| Net investment in capital assets | **(1,223,750)** | (984,548) |
| Restricted for pension benefits | **550,439** | 227,427 |
| Restricted by state statute | **169,244,442** | 14,066,639 |
| Restricted by bond indentures | **386,726,891** | 509,383,806 |
| Restricted by HOME, HTF and NSP Program | **84,890,310** | 84,150,984 |
| ***Total Net Position*** | **640,188,332** | 606,844,308 |
| ***Total Liabilities, Deferred Inflows of Resources, and Net Position*** | **$ 2,051,148,086** | $ 2,168,483,279 |

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

## *For the Years Ended June 30*

| *Operating Revenues* | | 2022 | | 2021 |
|---|---|---|---|---|
| Interest income on mortgage loans | $ | **8,655,746** | $ | 11,039,610 |
| Earnings on investments and program mortgage-backed securities | | **37,538,871** | | 49,130,493 |
| Net decrease in the fair market value of investments and program mortgage-backed securities | | **(125,366,134)** | | (22,458,654) |
| HUD contributions | | **35,553,876** | | 33,012,711 |
| U.S. Treasury contributions/COVID | | **31,855,968** | | 13,883,212 |
| State contributions | | **150,000,000** | | - |
| Fee, grant and other income | | **7,682,280** | | 7,871,407 |
| ***Total Operating Revenues*** | | **145,920,607** | | 92,478,779 |
| | | | | |
| ***Operating Expenses*** | | | | |
| Interest | | **29,130,566** | | 34,420,581 |
| HUD housing assistance payments | | **26,948,190** | | 24,075,234 |
| U.S. Treasury housing assistance payments/COVID | | **31,855,968** | | 13,883,212 |
| Servicer fees | | **586,837** | | 765,630 |
| Arbitrage rebate (benefit) | | **36,357** | | (35,902) |
| General and administrative | | **7,339,180** | | 7,320,648 |
| Bond financing costs | | **3,874,870** | | 2,755,227 |
| Other housing programs | | **9,773,000** | | 9,483,357 |
| Provision for loan loss | | **3,031,615** | | 3,040,030 |
| ***Total Operating Expenses*** | | **112,576,583** | | 95,708,017 |
| | | | | |
| Change in net position | | **33,344,024** | | (3,229,238) |
| Net position, beginning of fiscal year | | **606,844,308** | | 610,073,546 |
| ***Net Position, End of Fiscal Year*** | **$** | **640,188,332** | $ | 606,844,308 |

| | 2022 | 2021 |
|---|---|---|
| ***Cash Flows Provided by Operating Activities*** | | |
| Receipts from loan payments and program mortgage-backed securities | **$ 290,503,948** | $ 338,752,528 |
| Receipts for program fees | **157,231,844** | 7,490,805 |
| Receipts from federal housing programs | **35,553,876** | 33,012,711 |
| Receipts for U.S. Treasury Housing Assistance/COVID | **45,995,334** | 275,800,000 |
| Payments for loan programs and program mortgage-backed securities | **(268,530,338)** | (206,319,005) |
| Payments for operating expenses | **(3,110,203)** | (4,014,141) |
| Payments to employees | **(4,900,846)** | (5,108,642) |
| Payments for federal housing programs | **(26,948,190)** | (24,075,234) |
| Payments for U.S. Treasury Housing Assistance/COVID | **(31,855,968)** | (13,883,212) |
| Payments to U.S. Treasury for return of housing assistance funds | **(163,301,482)** | - |
| Payments for other housing programs | **(11,417,419)** | (9,404,014) |
| ***Net Cash Provided by Operating Activities*** | **19,220,556** | 392,251,796 |
| ***Cash Flows Used in Noncapital Financing Activities*** | | |
| Proceeds from sale of bonds | **366,983,122** | 212,800,000 |
| Principal paid on bonds | **(371,310,092)** | (257,347,568) |
| Interest paid on bonds and swaps | **(34,718,801)** | (38,027,289) |
| Bond issuance costs paid | **(3,507,601)** | (2,755,227) |
| ***Net Cash Used in Noncapital Financing Activities*** | **(42,553,372)** | (85,330,084) |
| ***Cash Flows Used in Capital and Related Financing Activities*** | | |
| Purchase of capital fixed assets | **(107,743)** | (456,245) |
| Proceeds from sale of assets | **14,875** | 4,752 |
| Principal paid on bonds | **(90,000)** | (85,000) |
| Interest paid on capital debt | **(13,657)** | (13,077) |
| ***Net Cash Used in Capital and Related Financing Activities*** | **(196,525)** | (549,570) |
| ***Cash Flows Provided by (Used in) Investing Activities*** | | |
| Purchase of investment securities | **(294,839,598)** | (651,771,893) |
| Proceeds from sale and maturities of investment securities | **517,007,051** | 451,400,214 |
| Interest received on investments | **6,868,635** | 8,925,927 |
| ***Net Cash Provided by (Used in) Investing Activities*** | **229,036,088** | (191,445,752) |
| ***Change in Cash and Cash Equivalents*** | **205,506,747** | 114,926,390 |
| ***Cash and Cash Equivalents, Beginning of Year*** | **369,176,221** | 254,249,831 |
| ***Cash and Cash Equivalents, End of Year*** | **$ 574,682,968** | $ 369,176,221 |
| ***Reconciliation of Operating Income (Loss) to Cash Flows Provided by Operating Activities*** | | |
| Operating income (loss) | **$ 33,344,024** | $ (3,229,238) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | |
| Interest on bonds payable | **29,130,566** | 34,420,581 |
| Net decrease in fair market value of investments | **125,366,134** | 22,458,654 |
| Interest from investments | **(6,348,592)** | (9,124,608) |
| Bond financing costs | **3,874,870** | 2,755,227 |
| Provision for loan loss | **3,031,615** | 3,040,030 |
| Depreciation | **436,945** | 427,482 |
| Gain on sale of fixed assets | **(14,875)** | (4,752) |
| Changes in assets and liabilities: | | |
| Loan interest receivable | **243,907** | 430,088 |
| Accounts payable and other liabilities | **808,280** | (520,092) |
| Mortgage loans receivable | **22,032,780** | 44,083,582 |
| Investments - program mortgage-backed securities | **(39,039,586)** | 12,325,565 |
| Unearned revenue | **(149,162,116)** | 261,916,788 |
| Line of credit receivable | **(1,109,516)** | 24,548,793 |
| Other receivables | **(112,548)** | (375,850) |
| Other assets | **(2,241,855)** | 13,045 |
| Related to pensions | **(323,013)** | 344,354 |
| Multifamily escrows and reserves | **(696,464)** | (1,257,853) |
| ***Net Cash Provided by Operating Activities*** | **$ 19,220,556** | $ 392,251,796 |

## 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 $335,115,000 for 2022. 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.

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**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.

**Basis of Accounting:**
The Authority follows the accrual basis of accounting. Revenue is recognized in the accounting period in which it is earned, and expenses are recognized when they are incurred.

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**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.

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**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.

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**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 4-15 years, the estimated useful life of land improvements ranges from 20-30 years, and the estimated useful life of buildings ranges from 27-50 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 ($48,829) and ($12,472) at June 30, 2022 and 2021, 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.

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**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.

**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, 2022 and 2021, 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, 2022 and 2021, of the Authority's deposits of $83,904,641 (carrying value of $82,918,438) and $29,979,843 (carrying value of $28,002,513), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

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The $149,970,117 and $171,845 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2022 and 2021, 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, 2022 and 2021, 67% and 61%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2022 and 2021, the Authority had investments maturing as follows:

| | | **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** | - | - | - |
| Investment agreements | **-** | **-** | **-** | - | - |
| 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 | **$ 1,452,336,330** | **$ 351,753,942** | **$ 122,014,200** | **$ 37,881,250** | **$ 940,686,938** |

| | | 2021 Investment Maturities (in Years) | | | |
|---|---|---|---|---|---|
| | Fair Value | Less Than 1 | 1 to 5 | 6 to 10 | Greater Than 10 |
| U.S Government obligations | $ 337,260,779 | $ 205,055,524 | $ 103,648,826 | $ 28,556,429 | $ - |
| U.S. Agency obligations | 1,071,471,450 | 11,856,489 | 36,502,865 | 14,993,063 | 1,008,119,033 |
| Money market/mutual funds | 341,001,863 | 341,001,863 | - | - | - |
| Certificates of deposit | 2,805,589 | 1,268,990 | 1,536,599 | - | - |
| Corporate-backed obligations | 1,331,170 | - | 16,642 | 1,116,503 | 198,025 |
| State obligations | 6,896,706 | - | 4,756,227 | 2,140,479 | - |
| Total | $ 1,760,767,557 | $ 559,182,866 | $ 146,461,159 | $ 46,806,474 | $ 1,008,317,058 |

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At June 30, 2022 and 2021, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

| | 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** |

| | 2021 | | |
|---|---|---|---|
| | Homeownership Mortgage Bonds | Single Family Mortgage Bonds | Multiple Purpose Bonds |
| Capital reserve for debt service | $ 35,497,865 | $ - | $ 2,891,083 |
| Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses | 2,698,502 | - | - |
| Debt service reserve | - | 1,296,450 | - |
| Total | $ 38,196,367 | $ 1,296,450 | $ 2,891,083 |

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:

| | | **2022** | | 2021 | |
|---|---|---|---|---|---|
| **Type/Provider** | **Moody's Credit Rating** | **Amount** | **% of Total** | Amount | % of Total |
| Money market funds | NR | **$ 341,794,414** | **23.4%** | $ 341,001,863 | 19.4% |
| Certificates of deposit | NR | **1,489,389** | **0.1%** | 2,805,589 | 0.2% |
| Corporate-backed obligations | NR | **2,632,703** | **0.2%** | 1,331,171 | 0.1% |
| U.S. government agency securitie | Aaa | **3,855,384** | **0.3%** | 10,562,630 | 0.6% |
| U.S. treasury securities | Aaa | **123,792,946** | **8.5%** | 337,260,779 | 19.2% |
| State and municipal securities | A1 to Aaa | **8,126,878** | **0.6%** | 6,896,705 | 0.4% |
| Mortgage-backed securities: | | | | | |
| GNMA | NR | **631,163,484** | **43.5%** | 698,548,074 | 39.5% |
| FNMA | NR | **315,963,816** | **21.8%** | 339,492,579 | 19.3% |
| FHLMC | NR | **23,517,316** | **1.6%** | 22,868,167 | 1.3% |
| | | **$ 1,452,336,330** | **100.0%** | $ 1,760,767,557 | 100.0% |

(continued on next page)

## Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

| | **2022** | 2021 |
|---|---|---|
| Homeownership Mortgage Loans | **$ 156,619,979** | $ 167,012,060 |
| Single Family Mortgage Loans | **17,585,861** | 36,600,934 |
| Multiple Purpose Loans | **20,753,698** | 16,430,097 |
| Other (General Operating Account) | **88,168,216** | 88,149,058 |
| Total | **$ 283,127,754** | $ 308,192,149 |

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 $823,627 and $1,789,334 as of June 30, 2022 and 2021, 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 $22,718,474 and $20,546,937 as of June 30, 2022 and 2021, 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, 2022 and 2021, is $23,536 and $500,265, 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, 2022 and 2021, the balance of this line of credit receivable was $45,917,102 and $44,807,586, respectively.

(continued on next page)

## 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):

| | | | 2022 | | | 2021 |
|---|---|---|---|---|---|---|
| **Bond Issue** | **Maturity Date** | **Interest Rate** | **Serial** | **Term (1)** | **Total Outstanding** | Total Outstanding |
| 2012 Series A | 2026-2031 | 4.50% | $ - | $ - | **$ -** | $ 1,750 |
| 2012 Series B | 2021-2026 | 2.55%-3.25% | - | - | **-** | 9,215 |
| 2012 Series D | 2021-2029 | 2.80%-4.0% | - | - | **-** | 2,670 |
| 2012 Series E | 2022-2025 | 2.80% | - | - | **-** | 9,355 |
| 2012 Series F | 2029-2033 | 3.375% | - | - | **-** | 9,715 |
| 2013 Series A | 2025-2030 | 3.00% | - | 230 | **230** | 1,450 |
| 2013 Series B | 2023-2025 | 2.6%-3.0% | 3,605 | - | **3,605** | 5,410 |
| 2013 Series C | 2030-2033 | 3.55% | - | 4,435 | **4,435** | 4,665 |
| 2013 Series D | 2043 | 3.25%-4.0% | - | 13,264 | **13,264** | 16,629 |
| 2013 Series E | 2032-2044 | 4.00% | - | 830 | **830** | 2,495 |
| 2013 Series F | 2023-2044 | 2.95%-4.0% | 2,545 | 270 | **2,815** | 6,165 |
| 2014 Series A | 2030-2044 | 4.00% | - | 1,680 | **1,680** | 4,010 |
| 2014 Series B | 2023-2024 | 3.10%-3.25% | 2,435 | - | **2,435** | 4,875 |
| 2014 Series C | 2024-2025 | 3.25%-3.45% | 2,940 | - | **2,940** | 8,445 |
| 2014 Series D | 2023-2028 | 2.75%-3.15% | 9,810 | 1,655 | **11,465** | 18,030 |
| 2014 Series E | 2030-2044 | 4.00% | - | 2,420 | **2,420** | 5,590 |
| 2014 Series F | 2023-2034 | 3.196%-4.0% | 5,655 | 825 | **6,480** | 13,960 |
| 2015 Series A | 2024-2025 | 2.5%-2.75% | 4,540 | - | **4,540** | 4,540 |
| 2015 Series B | 2023-2024 | 2.972%-3.272% | 4,575 | - | **4,575** | 10,185 |
| 2015 Series C | 2045 | 1.72%(2) | - | 30,000 | **30,000** | 30,000 |
| 2015 Series D | 2023-2045 | 2.25%-4.0% | 275 | 6,185 | **6,460** | 11,420 |
| 2015 Series E | 2027-2037 | 0.92%(2) | - | 25,000 (3) | **25,000** | - |
| 2016 Series A | 2023-2036 | 2.90%-3.8% | 10,335 | 2,830 | **13,165** | 19,535 |
| 2016 Series B | 2023-2046 | 1.75%-3.5% | 7,045 | 14,700 | **21,745** | 31,645 |
| 2016 Series C | 2023-2025 | 2.0%-2.45% | 12,035 | - | **12,035** | 19,815 |
| 2016 Series D | 2037-2046 | 3.50% | - | 18,045 | **18,045** | 35,460 |
| 2017 Series A | 2023-2037 | 2.746%-3.89% | 6,665 | 2,430 | **9,095** | 13,365 |
| 2017 Series B | 2023-2047 | 1.85%-4.0% | 24,920 | 36,300 | **61,220** | 90,250 |
| 2017 Series C | 2037-2039 | 4.00% | - | 4,190 | **4,190** | 11,145 |
| 2017 Series D | 2023-2047 | 1.85%-4.0% | 18,715 | 36,095 | **54,810** | 84,575 |
| 2017 Series E | 2023-2039 | 2.45%-4.0% | 9,310 | 7,050 | **16,360** | 25,490 |
| 2017 Series F | 2027-2030 | 2.6%-2.95% | 12,065 | - | **12,065** | 16,065 |
| 2018 Series A | 2023-2048 | 2.40%-4.0% | 15,485 | 17,775 | **33,260** | 57,200 |
| 2018 Series B | 2023-2048 | 2.6%-4.5% | 15,185 | 20,595 | **35,780** | 66,080 |
| 2019 Series A | 2023-2049 | 2.0%-4.0% | 22,180 | 25,515 | **47,695** | 76,320 |
| 2019 Series B | 2023-2049 | 1.25%-4.0% | 28,465 | 40,970 | **69,435** | 88,935 |
| 2020 Series A | 2023-2050 | 1.20%-3.75% | 23,170 | 26,905 | **50,075** | 61,600 |
| 2020 Series B | 2031-2041 | 0.90%(2) | - | 33,000 | **33,000** | 33,000 |
| 2020 Series C | 2023-2051 | 0.45%-3.50% | 26,630 | 30,400 | **57,030** | 64,700 |
| 2020 Series D | 2033-2043 | 0.92%(2) | - | 33,000 | **33,000** | 33,000 |
| 2021 Series A | 2023-2051 | 0.25%-3.0% | 30,725 | 62,830 | **93,555** | 99,000 |
| 2021 Series B | 2023-2051 | 0.25%-3.0% | 31,290 | 82,080 | **113,370** | - |
| 2021 Series C | 2023-2030 | 0.429%-2.019% | 18,290 | - | **18,290** | - |
| 2022 Series A | 2023-2027 | 0.40%-5.0% | 15,390 | - | **15,390** | - |
| 2022 Series B | 2028-2052 | 1.4%-3.0% | 40,920 | 57,415 | **98,335** | - |
| 2022 Series C | 2023-2053 | 1.95%-5.0% | 24,195 | 41,805 | **66,000** | - |
| 2022 Series D | 2038-2046 | 0.92% (2) | - | 33,000 | **33,000** | - |
| Total | | | | | **1,143,119** | 1,107,754 |
| | | | | | | |
| 2015 Series E | 2027-2037 | 0.92%(2) | - | 25,000 (3) | - | 25,000 |
| 2016 Series E | 2029-2037 | 1.26%(2) | - | 50,000 | **50,000** | 50,000 |
| Total Direct Placements | | | | | **50,000** | 75,000 |
| Plus unamortized premium | | | | | **31,862** | 27,392 |
| Total Homeownership Mortgage Program Bonds | | | | | **$ 1,224,981** | $ 1,210,146 |

*(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.*

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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 | 2022 Serial | 2022 Term (1) | 2022 Total Outstanding | 2021 Total Outstanding |
|---|---|---|---|---|---|---|
| 2011-1/2009-1C | 2021-2028 | 3.7%-5.0% | $ - | $ - | **$ -** | $ 310 |
| 2011-2 | 2021-2023 | 3.125%-3.625% | - | - | **-** | 4,885 |
| 2016-1 | 2023-2041 | 2.294%-3.5% | 5,330 | 10,820 | **16,150** | 24,600 |
| Total | | | | | **16,150** | 29,795 |
| 2009 1-B/1-D | 2032-2041 | 2.47% | - | - | **-** | 13,420 |
| Total Direct Placements | | | | | **-** | 13,420 |
| Plus unamortized premium | | | | | **144** | 350 |
| Total Single Family Mortgage Bonds | | | | | **$ 16,294** | $ 43,565 |

*(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 | 2022 Serial | 2022 Term (1) | 2022 Total Outstanding | 2021 Total Outstanding |
|---|---|---|---|---|---|---|
| 2009 Series A | 2022-2048 | 1.03% (2) | $ - | $ 5,855 | **$ 5,855** | $ 5,945 |
| 2013 Series A | 2028 | 3.65% | - | 150 | **150** | 780 |
| 2020 Series A | 2022-2062 | 0.92% (2) | - | 14,540 | **14,540** | 14,715 |
| Total Multiple Purpose Bonds | | | | | **$ 20,545** | $ 21,440 |

*(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.*

| | | |
|---|---|---|
| Total Bonds Outstanding | **$ 1,261,820** | $ 1,275,151 |

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2022 and 2021:

| | **Balance July 1, 2021** | **Additions** | **Deductions** | **Balance June 30, 2022** | **Amounts Due Within One Year** |
|---|---|---|---|---|---|
| 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** |

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Homeownership Mortgage Program Bonds | $ 1,143,411,801 | $ 198,000,000 | $ 233,657,569 | $ 1,107,754,232 | $ 46,487,055 |
| Homeownership Direct Placement Bonds | 75,000,000 | - | - | 75,000,000 | - |
| Single Family Mortgage Bonds | 42,175,000 | - | 12,380,000 | 29,795,000 | 3,010,000 |
| Single Family Direct Placement Bonds | 16,700,000 | - | 3,280,000 | 13,420,000 | - |
| Multiple Purpose Bonds | 14,755,000 | 14,800,000 | 8,115,000 | 21,440,000 | 895,000 |
| Unamortized Premium/Discount | 26,494,319 | 7,735,942 | 6,488,428 | 27,741,833 | - |
| | $ 1,318,536,120 | $ 220,535,942 | $ 263,920,997 | $ 1,275,151,065 | $ 50,392,055 |

(continued on next page)

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 | Homeownership Mortgage Program Bonds | | Homeownership Direct Placement Bonds | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest |
| 2023 | $ 21,040,300 | $ 30,047,244 | $ - | $ 630,000 |
| 2024 | 58,270,000 | 29,883,466 | - | 630,000 |
| 2025 | 57,980,000 | 28,666,803 | - | 630,000 |
| 2026 | 48,130,000 | 27,451,695 | - | 630,000 |
| 2027 | 44,070,000 | 26,542,189 | - | 630,000 |
| 2028-2032 | 213,220,000 | 115,435,339 | 18,115,000 | 2,868,012 |
| 2033-2037 | 156,515,000 | 91,412,459 | 31,885,000 | 1,096,893 |
| 2038-2042 | 148,800,000 | 75,031,778 | - | - |
| 2043-2047 | 249,553,843 | 48,554,457 | - | - |
| 2048-2052 | 140,755,000 | 12,921,135 | - | - |
| 2053-2057 | 4,785,000 | 126,825 | - | - |
| Total | $ 1,143,119,143 | $ 486,073,390 | $ 50,000,000 | $ 7,114,905 |

| Year Ended | Single Family Mortgage Bonds | | Multiple Purpose Bonds | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Principal | Interest |
| 2023 | $ 390,000 | $ 516,489 | $ 365,000 | $ 83,503 |
| 2024 | 935,000 | 504,527 | 420,000 | 84,169 |
| 2025 | 970,000 | 479,763 | 430,000 | 82,717 |
| 2026 | 1,260,000 | 453,285 | 450,000 | 81,172 |
| 2027 | 1,225,000 | 419,516 | 460,000 | 79,519 |
| 2028-2032 | 6,500,000 | 1,412,410 | 2,680,000 | 351,255 |
| 2033-2037 | 1,110,000 | 833,267 | 2,970,000 | 287,683 |
| 2038-2042 | 3,760,000 | 334,581 | 3,530,000 | 215,353 |
| 2043-2047 | - | - | 4,205,000 | 121,196 |
| 2048-2052 | - | - | 2,130,000 | 26,896 |
| 2053-2057 | - | - | 1,325,000 | 12,756 |
| 2058-2062 | - | - | 1,470,000 | 5,119 |
| 2063-2067 | - | - | 110,000 | 61 |
| Total | $ 16,150,000 | $ 4,953,838 | $ 20,545,000 | $ 1,431,399 |

(continued on next page)

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, 2022:

| 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 | Aa2/A+ | 5/1/2025 | $ 25,000,000 | * |
| 2020 Series D | Bank of America | 11/1/2043 | Aa2/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 | * |

| 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 | $ 5,855,000 | |
| 2020 Series A | FHLB of Des Moines | 11/1/2062 | Aaa/AA+ | 9/29/2023 | $ 14,540,000 | * |

* 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, 2022 and 2021, the aggregate principal amount of conduit debt outstanding totaled $14,574,500 and $14,574,500, respectively.

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## 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.

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## 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, 2022 and 2021, 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, 2022** | **Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2022** | Fair Value June 30, 2021 | Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Wells Fargo Bank** | | | | | | | | | |
| 2015 E-1 | 25,000,000 | 12/17/2015<br>11/1/2037 | 2.11% | 66.4% of LIBOR plus 0.22% | Aa1 | **$ 891,762** | **$ 2,017,323** | $ (1,125,561) | $ 876,425 |
| 2015 E-2 | - | 12/17/2015<br>11/1/2037 | 66.4% of LIBOR plus 0.22% | 22yr MMD plus 0.87% | Aa1 | **-** | **-** | - | (96,510) |
| 2016 E-1 | 50,000,000 | 11/1/2016<br>5/1/2037 | 2.21% | 66.4% of LIBOR plus 0.23% | Aa1 | **1,602,872** | **4,310,476** | (2,707,604) | 1,958,917 |
| 2016 E-2 | 50,000,000 | 11/1/2016<br>5/1/2037 | 66.4% of 1M LIBOR plus 0.23% | 21yrMMD plus 0.95% | Aa1 | **-** | **(195,563)** | 195,563 | (38,740) |
| 2020 D | 33,000,000 | 5/1/2029<br>5/1/2043 | 0.928% | 100% SIFMA | Aa1 | **6,118,301** | **4,119,440** | 1,998,861 | 1,998,861 |
| MPB 2020 A | 14,540,000 | 9/29/2020<br>5/1/2060 | 1.31% | 100% SIFMA | Aa1 | **2,064,471** | **1,721,899** | 342,572 | 342,572 |
| **Bank of America** | | | | | | | | | |
| 2022 D | 33,000,000 | 6/23/2022<br>11/1/2046 | 2.3490% | 70.0% of SOFR plus 0.08% | Aa2 | **761,476** | **761,476** | - | - |
| **Bank of New York Mellon** | | | | | | | | | |
| 2020 B | 33,000,000 | 2/12/2020<br>11/1/2041 | 1.6525% | 100% SIFMA | Aa1 | **3,176,087** | **4,105,494** | (929,407) | 1,803,287 |
| | | | | | | **$ 14,614,969** | | $ (2,225,576) | |

**Moody's Investor Service*

(continued on next page)

**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, 2022 and 2021. 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, 2022 and 2021, 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, 2022 and 2021, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.07% and 1.12% per annum, respectively, while the weighted average interest rate on the swaps was 1.15% and 1.21% 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.

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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, 2022, are as follows:

| Year Ended | Variable Rate Bond | | Interest Rate | |
|---|---|---|---|---|
| June 30 | Principal | Interest | Swap - Net | Total |
| 2023 | $ 270,000 | $ 1,869,542 | $ 1,227,214 | $ 3,366,756 |
| 2024 | 320,000 | 1,910,357 | 1,278,476 | 3,508,833 |
| 2025 | 325,000 | 1,907,061 | 1,277,185 | 3,509,246 |
| 2026 | 340,000 | 1,903,662 | 1,275,853 | 3,519,515 |
| 2027 | 340,000 | 1,900,160 | 1,274,480 | 3,514,640 |
| 2028-2032 | 34,285,000 | 8,950,682 | 5,287,304 | 48,522,986 |
| 2033-2037 | 77,250,000 | 5,796,519 | 3,042,913 | 86,089,432 |
| 2038-2042 | 48,025,000 | 2,501,566 | 1,549,446 | 52,076,012 |
| 2043-2047 | 22,980,000 | 742,523 | 547,668 | 24,270,191 |
| 2048-2052 | 1,500,000 | 186,456 | 20,710 | 1,707,166 |
| 2053-2057 | 1,325,000 | 119,454 | 13,268 | 1,457,722 |
| 2058-2062 | 1,580,000 | 37,853 | 4,204 | 1,622,057 |
| | $ 188,540,000 | $ 27,825,835 | $ 16,798,721 | $ 233,164,556 |

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, 2022 and 2021.

**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.

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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 |
| | $ 23,552,790 | | | | $ 21,434 | |

(continued on next page)

| Forward Contracts to sell TBA Mortgage-Backed Securities | Notional Amount June 30, 2021 | Trade Date | Delivery Date | Coupon Rate | Fair Values June 30, 2021 | Moody's Credit Rating |
|---|---|---|---|---|---|---|
| **Bank of America Merrill Lynch** | | | | | | |
| GNMA II | $ 1,000,000 | 4/23/2021 | 7/21/2021 | 2.00% | $ (2,656) | A2 |
| GNMA II | 1,000,000 | 4/29/2021 | 7/21/2021 | 2.50% | (3,906) | A2 |
| GNMA II | 1,200,000 | 6/16/2021 | 7/21/2021 | 2.50% | (750) | A2 |
| FNMA | 1,200,000 | 5/12/2021 | 8/12/2021 | 2.50% | (6,188) | A2 |
| FNMA | 1,000,000 | 5/18/2021 | 8/12/2021 | 2.50% | (3,438) | A2 |
| GNMA II | 1,000,000 | 5/26/2021 | 8/19/2021 | 3.00% | 313 | A2 |
| GNMA II | 1,000,000 | 6/16/2021 | 8/19/2021 | 3.00% | 1,250 | A2 |
| FNMA | 1,000,000 | 6/18/2021 | 9/14/2021 | 3.00% | (2,656) | A2 |
| GNMA II | 1,400,000 | 6/18/2021 | 9/21/2021 | 3.00% | (5,906) | A2 |
| **Bank of Montreal** | | | | | | |
| GNMA II | 1,000,000 | 4/20/2021 | 7/21/2021 | 2.50% | (1,367) | Aa2 |
| GNMA II | (3,400,000) | 6/24/2021 | 7/21/2021 | 2.50% | 7,438 | Aa2 |
| GNMA II | 1,400,000 | 5/20/2021 | 8/19/2021 | 3.00% | 219 | Aa2 |
| GNMA II | 1,400,000 | 6/4/2021 | 8/19/2021 | 3.00% | 930 | Aa2 |
| GNMA II | 500,000 | 6/10/2021 | 8/19/2021 | 2.50% | 547 | Aa2 |
| **Bank of New York Mellon** | | | | | | |
| FNMA | 1,000,000 | 4/22/2021 | 7/14/2021 | 2.50% | (2,891) | A1 |
| FNMA | 200,000 | 6/9/2021 | 7/14/2021 | 3.00% | 281 | A1 |
| GNMA II | 1,000,000 | 4/22/2021 | 7/21/2021 | 2.50% | (625) | A1 |
| GNMA II | 1,000,000 | 4/26/2021 | 7/21/2021 | 2.50% | (273) | A1 |
| GNMA II | 600,000 | 5/5/2021 | 7/21/2021 | 2.00% | (1,195) | A1 |
| GNMA II | 1,200,000 | 5/5/2021 | 7/21/2021 | 2.50% | 797 | A1 |
| GNMA II | 700,000 | 5/12/2021 | 7/21/2021 | 2.00% | (5,551) | A1 |
| GNMA II | 1,400,000 | 5/12/2021 | 7/21/2021 | 2.50% | (4,977) | A1 |
| GNMA II | 2,100,000 | 6/16/2021 | 7/21/2021 | 2.50% | (1,641) | A1 |
| FNMA | 1,000,000 | 5/19/2021 | 8/12/2021 | 3.00% | (508) | A1 |
| FNMA | 1,000,000 | 6/1/2021 | 8/12/2021 | 3.00% | 352 | A1 |
| GNMA II | 1,000,000 | 6/10/2021 | 8/19/2021 | 3.00% | 1,758 | A1 |
| GNMA II | 1,800,000 | 6/17/2021 | 8/19/2021 | 3.00% | (2,461) | A1 |
| **Bank of Oklahoma** | | | | | | |
| FNMA | 600,000 | 4/29/2021 | 7/14/2021 | 2.50% | (3,445) | A3 |
| GNMA II | 2,000,000 | 5/7/2021 | 7/21/2021 | 2.50% | 3,750 | A3 |
| GNMA II | 500,000 | 5/18/2021 | 7/21/2021 | 3.00% | (469) | A3 |
| GNMA II | (1,500,000) | 6/24/2021 | 7/21/2021 | 2.50% | 2,813 | A3 |
| FNMA | 1,200,000 | 6/7/2021 | 8/12/2021 | 3.00% | 797 | A3 |
| GNMA II | 1,200,000 | 5/24/2021 | 8/19/2021 | 3.00% | 94 | A3 |
| GNMA II | 1,000,000 | 6/1/2021 | 8/19/2021 | 3.00% | (1,406) | A3 |
| FNMA | 1,800,000 | 6/14/2021 | 9/14/2021 | 3.00% | 1,195 | A3 |
| GNMA II | 1,200,000 | 6/28/2021 | 9/21/2021 | 3.00% | (2,625) | A3 |
| **Brean Capital** | | | | | | |
| GNMA II | (600,000) | 6/24/2021 | 7/21/2021 | 3.00% | 656 | Not rated |
| **Citigroup Global Markets** | | | | | | |
| GNMA II | (600,000) | 6/24/2021 | 7/21/2021 | 3.00% | 938 | A3 |

(continued on next page)

| Forward Contracts to sell TBA Mortgage-Backed Securities | Notional Amount June 30, 2021 | Trade Date | Delivery Date | Coupon Rate | Fair Values June 30, 2021 | Moody's Credit Rating |
|---|---|---|---|---|---|---|
| **Daiwa Capital Markets** | | | | | | |
| FNMA | 700,000 | 4/19/2021 | 7/14/2021 | 2.50% | (3,828) | Not rated |
| FNMA | (700,000) | 6/24/2021 | 7/14/2021 | 2.50% | 984 | Not rated |
| FNMA | 700,000 | 6/24/2021 | 7/14/2021 | 3.00% | (547) | Not rated |
| GNMA II | 1,400,000 | 6/11/2021 | 8/19/2021 | 3.00% | 2,844 | Not rated |
| FNMA | 1,000,000 | 6/24/2021 | 9/14/2021 | 3.00% | (313) | Not rated |
| GNMA II | 1,200,000 | 6/29/2021 | 9/21/2021 | 2.50% | (5,250) | Not rated |
| GNMA II | 1,400,000 | 6/29/2021 | 9/21/2021 | 3.00% | (2,844) | Not rated |
| **Jefferies** | | | | | | |
| FNMA | 600,000 | 4/21/2021 | 7/14/2021 | 3.00% | 2,531 | Baa3 |
| FNMA | 2,400,000 | 5/5/2021 | 7/14/2021 | 2.50% | (3,750) | Baa3 |
| GNMA II | 500,000 | 6/16/2021 | 7/21/2021 | 2.50% | (234) | Baa3 |
| GNMA II | 300,000 | 6/16/2021 | 7/21/2021 | 3.00% | 375 | Baa3 |
| GNMA II | 1,200,000 | 6/21/2021 | 9/21/2021 | 3.00% | (4,500) | Baa3 |
| **Piper Sandler** | | | | | | |
| FNMA | 600,000 | 4/14/2021 | 7/14/2021 | 3.00% | 1,594 | Not rated |
| GNMA II | 400,000 | 6/16/2021 | 7/21/2021 | 3.00% | 563 | Not rated |
| FNMA | 1,000,000 | 5/24/2021 | 8/12/2021 | 3.00% | 1,875 | Not rated |
| FNMA | 500,000 | 6/29/2021 | 9/14/2021 | 2.50% | (81) | Not rated |
| | $ 44,700,000 | | | | $ (41,387) | |

(continued on next page)

**Note 10 - Fair Value:**

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 | **$ 341,794,414** | **$ 1,110,541,916** | **$ -** |
| **Hedging derivative instruments** | | | |
| Assets | | | |
| Interest rate swaps | **$ -** | **$ 14,614,969** | **$ -** |
| Forward MBS contracts | **-** | **87,850** | **-** |
| | **$ -** | **$ 14,702,819** | **$ -** |
| Liabilities | | | |
| Interest rate swaps | **$ -** | **$ -** | **$ -** |
| Forward MBS contracts | **-** | **(66,416)** | **-** |
| | **$ -** | **$ (66,416)** | **$ -** |

The Authority had the following recurring fair value measurements as of June 30, 2021:

| | Fair Value Measurements Using: | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| **Investments by fair value level** | | | |
| U.S. Treasuries | $ - | $ 337,260,779 | $ - |
| U.S. Government agencies | - | 1,071,471,450 | - |
| Corporate-backed obligations | - | 1,331,170 | - |
| Money market mutual funds | 341,001,863 | - | - |
| Certificates of deposit | - | 2,805,589 | - |
| State obligations | - | 6,896,706 | - |
| Total investments by fair value level | $ 341,001,863 | $ 1,419,765,694 | $ - |
| **Hedging derivative instruments** | | | |
| Assets | | | |
| Interest rate swaps | $ - | $ 2,536,996 | $ - |
| Forward MBS contracts | - | 34,894 | - |
| | $ - | $ 2,571,890 | $ - |
| Liabilities | | | |
| Interest rate swaps | $ - | $ (4,762,572) | $ - |
| Forward MBS contracts | - | (76,281) | - |
| | $ - | $ (4,838,853) | $ - |

(continued on next page)

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:

| | **2022** | 2021 |
|---|---|---|
| Bond and notes reserve | **$ 3,074,535** | $ 3,118,523 |
| Program operations reserve | **5,991,072** | 1,531,100 |
| Total | **$ 9,065,607** | $ 4,649,623 |

**Note 12 - Commitments:**

As of June 30, 2022, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating $74,560,026.

(continued on next page)

## 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, 2022 and 2021, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **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) | **$ (30,607,109)** | **$ (12,136,813)** | **$ (490,104)** | $ (230,993,678) | $ (11,978,136) | $ (166,680) |
| Current assets | **508,789,696** | **8,177,481** | **8,361,139** | 715,428,490 | 18,126,175 | 13,531,585 |
| Noncurrent assets | **1,089,377,328** | **21,181,221** | **80,783,739** | 1,173,509,697 | 38,051,381 | 78,547,847 |
| Total Assets | **1,567,559,915** | **17,221,889** | **88,654,774** | 1,657,944,509 | 44,199,420 | 91,912,752 |
| Deferred Outflows of Resources | **2,249,866** | **-** | **-** | 7,520,474 | - | - |
| Total Assets and Deferred Outflows of Resources | **$ 1,569,809,781** | **$ 17,221,889** | **$ 88,654,774** | $ 1,665,464,983 | $ 44,199,420 | $ 91,912,752 |
| Liabilities | | | | | | |
| Current liabilities | **$ 25,813,803** | **$ 479,966** | **$ 386,702** | $ 52,287,159 | $ 3,230,184 | $ 915,556 |
| Noncurrent liabilities | **1,203,940,955** | **15,903,728** | **20,180,000** | 1,168,421,873 | 40,554,709 | 20,545,000 |
| Total Liabilities | **1,229,754,758** | **16,383,694** | **20,566,702** | 1,220,709,032 | 43,784,893 | 21,460,556 |
| Deferred Inflows of Resources | **22,444,155** | **-** | **2,064,471** | 8,047,419 | - | 342,572 |
| Total Liabilities and Deferred Inflows of Resources | **1,252,198,913** | **16,383,694** | **22,631,173** | 1,228,756,451 | 43,784,893 | 21,803,128 |
| Net Position | | | | | | |
| Net investment in capital assets | **-** | **-** | **(2,254,227)** | - | - | (2,151,123) |
| Restricted by bond indentures | **317,610,868** | **838,195** | **68,277,828** | 436,708,532 | 414,527 | 72,260,747 |
| Total Liabilities, Deferred Inflows, and Net Position | **$ 1,569,809,781** | **$ 17,221,889** | **$ 88,654,774** | $ 1,665,464,983 | $ 44,199,420 | $ 91,912,752 |
| | | | | | | |
| **Condensed Statement of Revenues, Expenses, and Changes in Net Position** | | | | | | |
| Operating revenues | **$ (76,563,037)** | **$ 616,735** | **$ (3,461,379)** | $ 34,909,960 | $ 2,059,384 | $ 629,754 |
| Operating expenses | **33,313,321** | **921,249** | **624,644** | 37,042,043 | 1,578,656 | 720,415 |
| Operating income | **(109,876,358)** | **(304,514)** | **(4,086,023)** | (2,132,083) | 480,728 | (90,661) |
| Transfers in (out) | **(9,221,306)** | **728,182** | **-** | (5,554,750) | 76,000 | - |
| Change in net position | **(119,097,664)** | **423,668** | **(4,086,023)** | (7,686,833) | 556,728 | (90,661) |
| Beginning net position | **436,708,532** | **414,527** | **70,109,624** | 444,395,365 | (142,201) | 70,200,285 |
| Ending net position | **$ 317,610,868** | **$ 838,195** | **$ 66,023,601** | $ 436,708,532 | $ 414,527 | $ 70,109,624 |
| | | | | | | |
| **Condensed Statement of Cash Flows** | | | | | | |
| Net cash provided (used) by: | | | | | | |
| Operating activities | **$ (193,291,265)** | **$ 20,056,017** | **$ (3,431,455)** | $ 369,774,298 | $ 19,102,564 | $ (2,855,343) |
| Noncapital financing activities | **(22,685,485)** | **(27,260,356)** | **(1,100,655)** | (79,993,044) | (17,277,281) | 6,461,491 |
| Capital and related financing activities | **-** | **-** | **(103,657)** | - | - | (98,077) |
| Investing activities | **226,300,987** | **510,560** | **2,110,097** | (192,407,534) | 1,455,422 | (605,959) |
| Net change | **10,324,237** | **(6,693,779)** | **(2,525,670)** | 97,373,720 | 3,280,705 | 2,902,112 |
| Beginning cash and cash equivalents | **321,954,277** | **11,798,688** | **7,248,898** | 224,580,557 | 8,517,983 | 4,346,786 |
| Ending cash and cash equivalents | **$ 332,278,514** | **$ 5,104,909** | **$ 4,723,228** | $ 321,954,277 | $ 11,798,688 | $ 7,248,898 |

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## 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/or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

**Benefits Provided:**
SDRS has three different classes of employees: Class A general members, Class B public safety and judicial members, and Class C Cement Plant retirement fund 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 Foundational 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.

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 COLA, the fair value of assets will be greater than or equal to the accrued liabilities.

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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, 2022, 2021, and 2020, were $233,212, $228,156, and $218,817, 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, 2021 and 2020, SDRS is 105.52% and 100.04%, 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, 2021 and 2020, respectively, and reported by the Authority as of June 30, 2022 and 2021 are as follows:

| | **2022** | 2021 |
|---|---|---|
| Proportionate share of total pension liability | **$ 23,235,183** | $ 20,427,344 |
| Less proportionate share of net position restricted for pension benefits | **24,518,444** | 20,434,561 |
| Proportionate share of net pension liability (asset) | **$ (1,283,261)** | $ (7,217) |

At June 30, 2022 and 2021, the Authority reported a liability (asset) of ($1,283,261) and ($7,217), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and 2020, 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, 2021, the Authority's proportion was 0.167565%, which was an increase of 0.8% or 0.001394 from its proportion measured as of June 30, 2020, of 0.166171%, which was an increase of 7% or 0.010649 from its proportion measured as of June 30, 2019, of 0.1555219%.

For the years ended June 30, 2022 and 2021, the Authority recognized pension expense (reduction of pension expense) of ($323,013), and $344,354, respectively. 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 | **$ 1,759,992** | **$ 2,492,814** |

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At June 30, 2022, there is $233,212 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, 2023.

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: | |
|---|---|
| 2023 | $ (237,267) |
| 2024 | (166,413) |
| 2025 | (46,649) |
| 2026 | (515,705) |
| 2027 | - |
| Total | $ (966,034) |

At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2021 | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 27,608 | $ 5,654 |
| Changes in assumption | 232,457 | 937,514 |
| Net difference between projected and actual earnings on pension plan investments | 670,762 | - |
| Changes in proportion and difference between Authority contributions and proportionate share of contributions | 24,415 | 20,021 |
| Authority contributions subsequent to the measurement date | 228,156 | - |
| Total | $ 1,183,398 | $ 963,189 |

At June 30, 2021, there was $228,156 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, 2022.

**Actuarial Assumptions:**

The total pension liability (asset) in the SDRS June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.25% |
| Salary increases | Graded by years of service, from 6.5% at entry to 3.0% after 25 years of service |
| Discount rate | 6.50% net of plan investment expense |
| Future COLAS | 2.25% |

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Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females, and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period of June 30, 2011, to June 30, 2016.

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, 2021, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Global Equity | 58.0% | 4.3% |
| Fixed Income | 30.0% | 1.6% |
| Real Estate | 10.0% | 4.6% |
| Cash | 2.0% | 0.9% |
| Total | 100.0% | |

**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 from 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).

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**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, 2022, 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:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Authority's proportionate share of the net pension liability (asset) | $ 2,077,919 | $ (1,283,261) | $ (4,011,757) |

**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, 2022 and 2021, the Authority managed its risks as follows:

The Authority purchased insurance over property, workers' compensation, 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.

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## Note 17 - Capital Assets:

| | Beginning Balance July 1, 2021 | Increase | Decrease | Ending Balance June 30, 2022 |
|---|---|---|---|---|
| Capital assets not depreciated | | | | |
| Land | **$ 220,409** | **$ -** | **$ -** | **$ 220,409** |
| Total capital assets not depreciated | **220,409** | **-** | **-** | **220,409** |
| 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 | **10,963,421** | **107,743** | **453,759** | **10,617,405** |
| Total capital assets | **11,183,830** | **107,743** | **453,759** | **10,837,814** |
| 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 | **6,223,378** | **436,945** | **453,759** | **6,206,564** |
| Capital assets, net | **$ 4,960,452** | **$ (329,202)** | **$ -** | **$ 4,631,250** |

| | Beginning Balance July 1, 2020 | Increase | Decrease | Ending Balance June 30, 2021 |
|---|---|---|---|---|
| Capital assets not depreciated | | | | |
| Land | $ 220,409 | $ - | $ - | $ 220,409 |
| Total capital assets not depreciated | 220,409 | - | - | 220,409 |
| Capital assets depreciated | | | | |
| Buildings | 4,999,915 | - | - | 4,999,915 |
| Land improvements | 1,261,943 | - | - | 1,261,943 |
| Furniture and equipment | 4,662,714 | 324,346 | 285,497 | 4,701,563 |
| Total capital assets depreciated | 10,924,572 | 324,346 | 285,497 | 10,963,421 |
| Total capital assets | 11,144,981 | 324,346 | 285,497 | 11,183,830 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,471,583 | 127,747 | - | 1,599,330 |
| Land improvements | 832,287 | 37,026 | - | 869,313 |
| Furniture and equipment | 3,762,125 | 258,031 | 265,421 | 3,754,735 |
| Total accumulated depreciation | 6,065,995 | 422,804 | 265,421 | 6,223,378 |
| Capital assets, net | $ 5,078,986 | $ (98,458) | $ 20,076 | $ 4,960,452 |

## Note 18 - Accounts Payable and Other Accruals:

Payables at June 30, 2022 and 2021, were as follows:

| | 2022 | 2021 |
|---|---|---|
| Accounts Payable | | |
| Contractual/Forex | $ 51,561 | $ 45,876 |
| Travel/moving costs | 16,162 | 15,964 |
| Office/marketing | 13,541 | 93,741 |
| Maintenance | 27,109 | 19,117 |
| Cost of issuance | 399,387 | 32,372 |
| General | 8,600 | 4,722 |
| Prepaid sales | 440,520 | 118,125 |
| Excise/unemployment tax | 22,140 | 12,614 |
| Materials/tools | 323,044 | 248,443 |
| | 1,302,064 | 590,974 |
| Other Liabilities | | |
| Amount held for SD Homebuilders Association | 950,000 | 950,000 |
| Accrued vacation | 662,891 | 598,074 |
| Accrued payroll/taxes | 185,858 | 180,520 |
| Employee withholdings | (42) | 774 |
| Servicing fee | 38,370 | 46,876 |
| Arbitrage payable | 48,829 | 12,472 |
| Total accounts payable and other liabilities | 3,187,970 | 2,379,690 |
| Current liabilities | 1,929,527 | 1,148,954 |
| Noncurrent liabilities | $ 1,258,443 | $ 1,230,736 |

## Note 19 - Subsequent Events

In October 2022, the Authority issued Homeownership Mortgage Bonds Series 2022EF in the aggregate principal amount of $50 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 2022 Series F Bonds.

# # # # #

# South Dakota Housing Development Authority

Required Supplementary Information

June 30, 2022

**South Dakota Retirement System**

Last 10 Fiscal Years
(Dollar amounts in thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 233 | $ 228 | $ 218 | $ 198 | $ 192 | $ 201 | $ 198 | $ 178 | $ - | $ - |
| Contributions in relation to the contractually required contribution | 233 | 228 | 218 | 198 | 192 | 201 | 198 | 178 | - | - |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered payroll | $ 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% | | |

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.

**South Dakota Retirement System**

Last 10 Fiscal Years *
(Dollar amounts in thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net pension liability (asset) | 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) | $ (1,283) | $ (7) | $ (16) | $ (4) | $ (15) | $ 588 | $ (689) | $ (1,108) | $ - | $ - |
| Authority's covered payroll | $ 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 | -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) | 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.

**Changes from Prior Valuation**

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

**Benefit Provision Changes**

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

**Actuarial Assumption Changes**

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%. That condition existed as of June 30, 2020, and the July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by $1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation.

# South Dakota Housing Development Authority

Supplementary Information

June 30, 2022

## *Supplemental Schedule of Net Position* — *As of June 30, 2022*

| *Assets* | General Operating Account | Homeownership Mortgage Bonds | Single Family Mortgage Bonds | Multiple Purpose Bonds | Combined Total |
|---|---|---|---|---|---|
| ***Current Assets*** | | | | | |
| Cash and cash equivalents | $ 232,576,317 | $ 332,278,514 | $ 5,104,909 | $ 4,723,228 | **$ 574,682,968** |
| Investment securities - other | - | 7,989,038 | - | 2,509,136 | **10,498,174** |
| Investments - program mortgage-backed securities | - | 138,640,850 | 12,119 | - | **138,652,969** |
| Mortgage loans receivable, net | 4,050,143 | 26,287,055 | 2,949,504 | 753,362 | **34,040,064** |
| Interest receivable | 11,100 | 3,506,389 | 110,949 | 375,413 | **4,003,851** |
| Other receivables | 1,216,278 | - | - | - | **1,216,278** |
| Other assets | 5,759,116 | - | - | - | **5,759,116** |
| Hedging derivatives | - | 87,850 | - | - | **87,850** |
| ***Total Current Assets*** | 243,612,954 | 508,789,696 | 8,177,481 | 8,361,139 | **768,941,270** |
| ***Noncurrent Assets*** | | | | | |
| Investment securities - other | 422,859 | 206,266,978 | 6,484,284 | 55,118,159 | **268,292,280** |
| Investments - program mortgage-backed securities | - | 693,037,914 | 60,580 | - | **693,098,494** |
| Mortgage loans receivable, net | 84,118,073 | 130,332,924 | 14,636,357 | 20,000,336 | **249,087,690** |
| Line of credit receivable | - | 45,917,102 | - | - | **45,917,102** |
| Other receivables | 1,283,261 | 1,271,912 | - | - | **2,555,173** |
| Hedging derivatives | - | 12,550,498 | - | 2,064,471 | **14,614,969** |
| Capital assets, net | 1,030,477 | - | - | 3,600,773 | **4,631,250** |
| Due from (to) other funds | 43,234,026 | (30,607,109) | (12,136,813) | (490,104) | **-** |
| ***Total Noncurrent Assets*** | 130,088,696 | 1,058,770,219 | 9,044,408 | 80,293,635 | **1,278,196,958** |
| ***Total Assets*** | 373,701,650 | 1,567,559,915 | 17,221,889 | 88,654,774 | **2,047,138,228** |
| ***Deferred Outflows of Resources*** | | | | | |
| Loss on refunding | - | 2,183,450 | - | - | **2,183,450** |
| Forward contracts | - | 66,416 | - | - | **66,416** |
| Swaps | - | - | - | - | **-** |
| Related to pensions | 1,759,992 | - | - | - | **1,759,992** |
| ***Total Assets and Deferred Outflows of Resources*** | $ 375,461,642 | $ 1,569,809,781 | $ 17,221,889 | $ 88,654,774 | **$ 2,051,148,086** |

(continued on next page)

## *Supplemental Schedule of Net Position* — *As of June 30, 2022*

| | General Operating Account | Homeownership Mortgage Bonds | Single Family Mortgage Bonds | Multiple Purpose Bonds | Combined Total |
|---|---|---|---|---|---|
| ***Liabilities*** | | | | | |
| ***Current Liabilities*** | | | | | |
| Bonds payable | $ - | $ 21,040,300 | $ 390,000 | $ 365,000 | **$ 21,795,300** |
| Accrued interest payable | - | 4,634,423 | 84,883 | 12,251 | **4,731,557** |
| Unearned revenue | 41,398,587 | - | - | - | **41,398,587** |
| Accounts payable and other liabilities | 1,842,329 | 72,664 | 5,083 | 9,451 | **1,929,527** |
| Multifamily escrows and reserves | 1,397,716 | - | - | - | **1,397,716** |
| Hedging derivatives | - | 66,416 | - | - | **66,416** |
| ***Total Current Liabilities*** | 44,638,632 | 25,813,803 | 479,966 | 386,702 | **71,319,103** |
| ***Noncurrent Liabilities*** | | | | | |
| Bonds payable | - | 1,203,940,955 | 15,903,728 | 20,180,000 | **1,240,024,683** |
| Accounts payable and other liabilities | 1,258,443 | - | - | - | **1,258,443** |
| Unearned revenue | 71,356,085 | - | - | - | **71,356,085** |
| ***Total Noncurrent Liabilities*** | 72,614,528 | 1,203,940,955 | 15,903,728 | 20,180,000 | **1,312,639,211** |
| ***Total Liabilities*** | 117,253,160 | 1,229,754,758 | 16,383,694 | 20,566,702 | **1,383,958,314** |
| ***Deferred Inflows of Resources*** | | | | | |
| Forward contracts | - | 87,850 | - | - | **87,850** |
| Gain on refunding | - | 9,805,807 | - | - | **9,805,807** |
| Swaps | - | 12,550,498 | - | 2,064,471 | **14,614,969** |
| Related to pensions | 2,492,814 | - | - | - | **2,492,814** |
| ***Total Liabilities and Deferred Inflows of Resources*** | 119,745,974 | 1,252,198,913 | 16,383,694 | 22,631,173 | **1,410,959,754** |
| ***Net Position*** | | | | | |
| Net investment in capital assets | 1,030,477 | - | - | (2,254,227) | **(1,223,750)** |
| Restricted for pension benefits | 550,439 | - | - | - | **550,439** |
| Restricted by statute | 169,244,442 | - | - | - | **169,244,442** |
| Restricted by bond indentures | - | 317,610,868 | 838,195 | 68,277,828 | **386,726,891** |
| Restricted by HOME, HTF and NSP Program | 84,890,310 | - | - | - | **84,890,310** |
| ***Total Net Position*** | 255,715,668 | 317,610,868 | 838,195 | 66,023,601 | **640,188,332** |
| ***Total Liabilities, Deferred Inflows of Resources, and Net Position*** | $ 375,461,642 | $ 1,569,809,781 | $ 17,221,889 | $ 88,654,774 | **$ 2,051,148,086** |

| **Operating Revenues** | **General Operating Account** | **Homeownership Mortgage Bonds** | **Single Family Mortgage Bonds** | **Multiple Purpose Bonds** | **Combined Total** |
|---|---|---|---|---|---|
| Interest income on mortgage loans | $ 137,372 | $ 6,790,899 | 1,028,698 | $ 698,777 | **$ 8,655,746** |
| Earnings - investments and program mortgage-backed securities | 109,006 | 35,695,658 | 239,469 | 1,494,738 | **37,538,871** |
| Net decrease in fair value of investments and program mortgage-backed securities | (10,214) | (119,049,594) | (651,432) | (5,654,894) | **(125,366,134)** |
| HUD contributions | 35,553,876 | - | - | - | **35,553,876** |
| U.S. Treasury contributions/COVID | 31,855,968 | - | - | - | **31,855,968** |
| State contributions | 150,000,000 | - | - | - | **150,000,000** |
| Fee, grant and other income | 7,682,280 | - | - | - | **7,682,280** |
| ***Total Operating Revenues*** | 225,328,288 | (76,563,037) | 616,735 | (3,461,379) | **145,920,607** |
| | | | | | |
| ***Operating Expenses*** | | | | | |
| Interest | - | 28,283,803 | 596,784 | 249,979 | **29,130,566** |
| Housing assistance payments HUD | 26,948,190 | - | - | - | **26,948,190** |
| Housing assistance payments/COVID | 31,855,968 | - | - | - | **31,855,968** |
| Servicer fees | - | 488,141 | 98,696 | - | **586,837** |
| Arbitrage rebate expense (benefit) | - | 39,377 | - | (3,020) | **36,357** |
| General and administrative | 6,049,940 | 994,483 | 933 | 293,824 | **7,339,180** |
| Bond financing costs | - | 3,709,370 | 102,000 | 63,500 | **3,874,870** |
| Other housing programs | 9,752,639 | - | - | 20,361 | **9,773,000** |
| Provision for loan loss | 3,110,632 | (201,853) | 122,836 | - | **3,031,615** |
| ***Total Operating Expenses*** | 77,717,369 | 33,313,321 | 921,249 | 624,644 | **112,576,583** |
| ***Changes in Net Position Before Interfund Transfers*** | 147,610,919 | (109,876,358) | (304,514) | (4,086,023) | **33,344,024** |
| ***Interfund Transfers*** | 8,493,124 | (9,221,306) | 728,182 | - | **-** |
| ***Changes in Net Position*** | 156,104,043 | (119,097,664) | 423,668 | (4,086,023) | **33,344,024** |
| ***Net Position, Beginning of Fiscal Year*** | 99,611,625 | 436,708,532 | 414,527 | 70,109,624 | **606,844,308** |
| ***Net Position, End of Fiscal Year*** | $ 255,715,668 | $ 317,610,868 | $ 838,195 | $ 66,023,601 | **$ 640,188,332** |

**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 | $ 54,509,079 | $ - | $ 54,509,079 |
| 2022 Series B | 2/10/2022 | various | 49,958,375 | - | 49,958,375 |
| 2022 Series D | 6/23/2022 | various | 100,994,272 | - | 100,994,272 |
| | | | $ 205,461,726 | | |

**TABLE II**

**Type of Home Financed with Outstanding Homeownership Mortgage Loans**

| Type of Home | Number of Homes |
|---|---|
| Single Family Detached | 94.87% |
| Single Family Townhouse/Condominium | 2.70% |
| Two-Four Unit | 0.50% |
| Modular-Manufactured | 1.93% |
| | 100.00% |

**TABLE III**

**Outstanding Step Homeownership Mortgage Loans**

**Outstanding Step Mortgage Loans**

| Years Outstanding | Number | Principal Amount |
|---|---|---|
| 1 | - | $ - |
| 2 | - | - |
| 3 | - | - |
| 4 | - | - |
| 5 or more | 200 | 7,384,868 |
| Total | 200 | $ 7,384,868 |

**TABLE IV**

**Outstanding Homeownership Mortgage Loans**

| Interest Rate | Outstanding Number | Outstanding Principal Amount | Interest Rate | Outstanding Number | Outstanding Principal Amount |
|---|---|---|---|---|---|
| 3.750% | 22 | $ 1,464,896 | 6.250% | 14 | 562,990 |
| 3.850% | 2 | 203,761 | 6.375% | 3 | 245,796 |
| 4.125% | 40 | 2,350,404 | 6.400% | 21 | 520,036 |
| 4.250% | 8 | 565,054 | 6.450% | 7 | 118,614 |
| 4.375% | 59 | 4,106,124 | 6.500% | 126 | 2,888,966 |
| 4.500% | 27 | 1,672,865 | 6.600% | 1 | 5,417 |
| 4.600% | 1 | 47,657 | 6.625% | 2 | 115,462 |
| 4.625% | 20 | 1,453,374 | 6.650% | 25 | 372,646 |
| 4.750% | 421 | 20,032,827 | 6.750% | 24 | 217,950 |
| 4.850% | 41 | 2,734,763 | 6.850% | 13 | 309,518 |
| 4.870% | 35 | 2,473,749 | 6.890% | 6 | 88,895 |
| 4.950% | 420 | 18,640,975 | 6.900% | 10 | 238,048 |
| 5.000% | 17 | 1,080,601 | 6.950% | 29 | 731,860 |
| 5.125% | 65 | 3,513,917 | 7.110% | 34 | 749,200 |
| 5.150% | 73 | 3,476,351 | 7.250% | 26 | 278,313 |
| 5.250% | 150 | 8,051,161 | 7.300% | 14 | 139,798 |
| 5.375% | 84 | 4,380,680 | 7.360% | 3 | 57,208 |
| 5.425% | 14 | 841,385 | 7.400% | 9 | 210,612 |
| 5.450% | 12 | 583,338 | 7.450% | 3 | 71,815 |
| 5.500% | 264 | 13,518,695 | 7.550% | 3 | 95,519 |
| 5.625% | 20 | 1,200,957 | 7.600% | 6 | 73,164 |
| 5.750% | 36 | 1,961,380 | 7.625% | 3 | 519 |
| 5.850% | 52 | 3,141,737 | 7.650% | 1 | 35,991 |
| 5.950% | 271 | 8,904,495 | 7.875% | - | - |
| 6.000% | 41 | 1,600,951 | 7.950% | 6 | 73,225 |
| 6.125% | 8 | 633,234 | 8.100% | 1 | 2,424 |
| 6.150% | 1 | 62,033 | | | |
| | | | | 2,594 | $ 116,901,345 |

**TABLE V**

**Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans**

| Insurer or Guarantor | | Percent of Principal Amount |
|---|---|---|
| FHA | | 32.60% |
| VA | | 4.41% |
| USDA Rural Development | | 42.35% |
| Private Mortgage Insurance | | |
| Mortgage Guaranty Insurance Company | 0.15% | |
| Genworth | 0.03% | |
| PMI | 0.02% | |
| United Guaranty Insurance | 0.00% | |
| CMG Mortgage Insurance Company | 0.00% | |
| Total PMI Insured Mortgage Loans | | 0.20% |
| Total Insured Mortgage Loans | | 79.56% |
| Uninsured | | 20.44% |
| Total All Mortgage Loans | | 100.00% |

**TABLE VI**

**Servicers of Outstanding Homeownership Mortgage Loans**

| Servicer | Principal Amount |
|---|---|
| First Interstates | $ 80,416,847 |
| Bankwest | 4,225,986 |
| CorTrust Mortgage | 25,102,586 |
| First Bank & Trust | 5,859,788 |
| CU Mortgage | 1,296,138 |
| | $ 116,901,345 |

**TABLE VII**

**Homeownership Mortgage Loan Delinquencies and Foreclosures**

| | Homeownership Program | | NIBP Program | |
|---|---|---|---|---|
| | As of 6/30/2022 | As of 6/30/2021 | As of 6/30/2022 | As of 6/30/2021 |
| 31-60 Days (one payment) Delinquent | 6.32% | 3.90% | 7.45% | 2.47% |
| 61-90 Days (two payments) Delinquent | 1.12% | 0.90% | 1.55% | 0.53% |
| 91 Days or More (three or more payments) Delinquent | 1.23% | 2.36% | 0.31% | 0.89% |
| Total Delinquent | 8.67% | 7.16% | 9.31% | 3.89% |
| In Foreclosure | 0.77% | 0.28% | 0.62% | 0.89% |

**Table VIII**

**Valuation of Assets**

| | |
|---|---|
| Value of Principal Assets of Homeownership Program | $ 1,511,751,159 |
| Amount of Outstanding Homeownership Bonds | $ 1,193,119,143 |
| Parity Calculation | 116.91% |
| Parity Requirement | 102.00% |
| | |
| Value of Principal Assets of Single Family Program | $ 28,597,607 |
| Amount of Outstanding Single Family Bonds | $ 16,150,000 |
| Parity Calculation | 177.07% |
| Parity Requirement | 100.00% |
| | |
| Value of Principal Assets of Multi-Purpose Program | $ 24,082,439 |
| Amount of Outstanding Multi-Purpose Bonds | $ 20,545,000 |
| Parity Calculation | 117.22% |
| Parity Requirement | 100.00% |

**Table IX**

**Special Program Fund of the Authority**

| | |
|---|---|
| Homeownership Program | $ 116,880,309 |
| Single Family Program | $ 305,000 |
| Multi-Purpose Program | $ 55,960,834 |

## Table X

## Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2022:

| Development | Location | Number of Units | Twelve Month Occupancy Average (2) | Initial Loan Amount | Current Loan Amount (3) | Interest Rate | Preservation Loans Amount (3) | Preservation Loans Interest Rate |
|---|---|---|---|---|---|---|---|---|
| Old Main | Canton | 26 | NA % | $ 428,062 | $ - | - % | $ - | % |
| Sagewood | Yankton | 10 | NA | 227,825 | - | - | - | |
| South Sycamore Estates | Sioux Falls | 16 | NA | 695,690 | 186,964 | 0.00 | - | |
| Edmonton Heights | Gregory | 16 | NA | 524,000 | - | - | 166,655 | 3.00 |
| Pheasant Valley Courtyard | Milbank | 60 | 90.6 | 1,556,000 | 542,477 | 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 | 70.4 | 462,900 | - | - | 148,542 | 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 | - | - | 729,227 | 2.50 |
| Dakota Square | Aberdeen | 55 | NA | 1,730,300 | - | - | - | |
| Majestic View Townhouses | Hot Springs | 20 | 80.9 | 596,630 | - | - | 131,121 | 4.25 |
| Senechal 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 | 19,668 | 3.00 | - | |
| Sir Charles | Yankton | 34 | NA | 1,184,200 | - | - | - | |
| Timberland | Lead | 24 | 91.7 | 85,300 | - | - | 964,820 | 3.75-5.00 |
| Collins Apts | Sioux Falls | 23 | NA | 670,000 | - | - | - | |
| Baha Townhouses | Sioux Falls | 21 | 94.1 | 778,900 | - | - | - | |
| Hospitality Apts | Sioux Falls | 22 | 16.7 | 461,599 | - | - | - | |
| Whiting Court | Yankton | 17 | 94.1 | 601,284 | - | - | - | |
| Prairie West | Lemmon | 24 | 70.8 | 630,900 | - | - | - | |
| Sun Rise Apts | Aberdeen | 27 | 91.7 | 474,500 | - | - | - | |
| Cedar Apts | Brookings | 32 | 45.8 | 1,068,800 | - | - | - | |
| The Lidi II | Tyndall | 10 (1) | 79.2 | 255,000 | - | - | - | |
| Gold Mountain Apt. | Lead | 20 | 97.9 | 272,490 | 209,782 | 9.65 | 142,567 | 0.00 |
| Calypso Court | Chamberlain | 16 | 88.6 | 550,000 | - | - | - | |
| Riverview Park | Sioux Falls | 50 | 97.0 | 1,873,700 | - | - | - | |
| Olive Grove Apts | Sioux Falls | 19 | 94.7 | 601,271 | - | - | - | |
| Sunnycrest | Sioux Falls | 222 | 97.3 | 7,320,000 | 5,660,772 | 3.55 - 4.65 | - | |
| Sunnycrest | Sioux Falls | 60 | 0.0 | 8,500,000 | 7,477,570 | 3.50 | - | |
| | | | | $ 58,073,351 | $ 14,097,233 | | $ 2,282,932 | |

(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, 2022.
(3) Amounts are balances as of June 30, 2022.

**Table XI**

**Outstanding Guaranteed Mortgage Securities as of June 30, 2022**

| Pass Through Rate | Principal Amount | Pass Through Rate | Principal Amount |
|---|---|---|---|
| 1.6750 | $ 179,018 | 3.1500 | 1,292,032 |
| 1.8000 | 1,103,321 | 3.1750 | 6,973,693 |
| 1.9250 | 10,414,214 | 3.2500 | 286,376 |
| 2.0000 | 52,960,540 | 3.2750 | 2,645,647 |
| 2.0250 | 859,370 | 3.3000 | 11,331,462 |
| 2.0300 | 107,392 | 3.3750 | 121,668 |
| 2.0500 | 578,283 | 3.4000 | 41,715 |
| 2.1750 | 17,318,007 | 3.4250 | 7,224,957 |
| 2.2500 | 2,679,232 | 3.5000 | 75,230,891 |
| 2.2750 | 1,430,139 | 3.5250 | 1,323,850 |
| 2.2800 | 533,538 | 3.5500 | 16,731,199 |
| 2.3000 | 27,886,780 | 3.6750 | 6,449,094 |
| 2.4000 | 176,437 | 3.7750 | 1,122,495 |
| 2.4250 | 32,161,694 | 3.8000 | 3,640,702 |
| 2.5000 | 280,107,733 | 3.9000 | 69,708 |
| 2.5250 | 1,702,615 | 3.9250 | 4,988,190 |
| 2.5300 | 128,738 | 4.0000 | 45,366,149 |
| 2.5500 | 15,712,981 | 4.0500 | 1,185,105 |
| 2.6250 | 357,722 | 4.1750 | 4,375,334 |
| 2.6500 | 382,833 | 4.2750 | 95,623 |
| 2.6750 | 16,687,604 | 4.3000 | 4,865,188 |
| 2.7500 | 1,203,064 | 4.4250 | 3,528,624 |
| 2.7750 | 1,144,779 | 4.4500 | 70,440 |
| 2.7800 | 94,618 | 4.5000 | 7,010,466 |
| 2.8000 | 13,435,426 | 4.5750 | 50,784 |
| 2.8750 | 60,603 | 4.6250 | 48,230 |
| 2.9000 | 321,147 | 4.6750 | 586,808 |
| 2.9250 | 22,671,056 | 4.8000 | 382,265 |
| 3.0000 | 160,613,317 | 4.9250 | 409,776 |
| 3.0250 | 3,219,199 | 5.0000 | 1,163,470 |
| 3.0500 | 13,595,096 | 5.2500 | 34,387 |
| 3.1250 | 49,820 | 5.3000 | 303,063 |
| | | Total | $ 888,825,706 |