



South Dakota Housing Development Authority

(A Component Unit of the State of South Dakota)

Financial Report

June 30, 2024 and 2023

South Dakota Housing Development Authority

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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 the business-type activities of the South Dakota Housing Development Authority, a component unit of the State of South Dakota, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the South Dakota Housing Development Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the South Dakota Housing Development Authority as of June 30, 2024 and 2023, and the respective changes in financial position, and its 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 of South Dakota Housing Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of South Dakota Housing Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about South Dakota Housing Development Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of authority's contributions, schedule of authority's proportionate share of net pension liability (asset), and notes to required supplementary information be presented to supplement the basic financial statements.

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2024 on our consideration of South Dakota Housing Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Dakota Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.



Aberdeen, South Dakota
October 11, 2024

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

This section of the South Dakota Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2024 (FY 2024) and 2023 (FY 2023). This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, Notes to the Financial Statements, and Supplementary Information.

The Authority

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

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

Basic Financial Statements

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

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

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

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

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

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

Changes in Financial Position

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2024, FY 2023, and FY 2022 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 2024	FY 2023	FY 2022	% Change 2024/2023	% Change 2023/2022
Revenues:					
Interest on mortgages	\$ 6.4	\$ 7.5	\$ 8.7	-14.7%	-13.8%
Investment income	80.7	51.1	37.5	57.9%	36.3%
Increase (decrease) in fair market value of investments and program MBS	(7.1)	(40.5)	(125.4)	82.5%	67.7%
HUD contributions	51.2	40.5	35.5	26.4%	14.1%
U.S. Treasury contributions	16.7	20.4	31.9	-18.1%	-36.1%
State contributions	-	-	150.0	-	-100.0%
Other income	11.3	6.8	7.7	66.2%	-11.7%
Total revenues	<u>159.2</u>	<u>85.8</u>	<u>145.9</u>	<u>85.5%</u>	<u>-41.2%</u>
Expenses:					
Interest	51.4	35.2	29.1	46.0%	21.0%
Servicer fees	0.4	0.5	0.6	-20.0%	-16.7%
General and administrative	8.2	7.8	7.3	5.1%	6.8%
HUD housing assistance payments	27.6	27.7	27.0	-0.4%	2.6%
U.S. Treasury housing assistance payments	16.7	20.4	31.9	-18.1%	-36.1%
Other	40.1	17.2	16.7	133.1%	3.0%
Total expenses	<u>144.4</u>	<u>108.8</u>	<u>112.6</u>	<u>32.7%</u>	<u>-3.4%</u>
Change in net position	<u>\$ 14.8</u>	<u>\$ (23.0)</u>	<u>\$ 33.3</u>	<u>164.3%</u>	<u>-169.1%</u>

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Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

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

(In Millions of Dollars)

	FY 2024	FY 2023	FY 2022	% Change 2024/2023	% Change 2023/2022
Assets:					
Cash and equivalents	\$ 559.5	\$ 585.3	\$ 574.7	-4.4%	1.8%
Investments	1,627.0	1,207.8	1,110.5	34.7%	8.8%
Mortgages	284.6	276.0	283.1	3.1%	-2.5%
Line of credit receivable	53.2	33.4	45.9	59.3%	-27.2%
Interest receivable	8.6	6.1	4.0	41.0%	52.5%
Capital assets	4.4	4.5	4.6	-2.2%	-2.2%
Other	37.6	29.4	24.3	27.9%	21.0%
Total assets	<u>2,574.9</u>	<u>2,142.5</u>	<u>2,047.1</u>	<u>20.2%</u>	<u>4.7%</u>
Deferred Outflows of Resources					
Deferred loss on refunding	1.9	2.1	2.2	-9.5%	-4.5%
Deferred forward contract outflow	-	-	0.1	-	-100.0%
Deferred swap outflow	0.4	-	-	100.0%	-
Deferred outflow related to pension	1.4	1.5	1.8	-6.7%	-16.7%
Total assets and deferred outflows	<u>\$ 2,578.6</u>	<u>\$ 2,146.1</u>	<u>\$ 2,051.2</u>	<u>20.2%</u>	<u>4.6%</u>
Liabilities:					
Current bonds payable	\$ 163.2	\$ 58.0	\$ 21.8	181.4%	166.1%
Interest payable	13.5	8.0	4.7	68.8%	70.2%
Fair value of hedging derivatives	-	-	0.1	-	-100.0%
Other	8.2	4.8	4.6	70.8%	4.3%
Unearned revenue	54.3	72.8	112.8	-25.4%	-35.5%
Noncurrent bonds payable	1,670.8	1,353.2	1,240.0	23.5%	9.1%
Total liabilities	<u>1,910.0</u>	<u>1,496.8</u>	<u>1,384.0</u>	<u>27.6%</u>	<u>8.2%</u>
Deferred Inflows of Resources					
Deferred forward contract inflow	-	-	0.1	-	-100.0%
Deferred gain on refunding inflow	8.5	9.1	9.8	-6.6%	-7.1%
Deferred swap inflow	27.3	22.1	14.6	23.5%	51.4%
Deferred inflow related to pension	0.8	0.9	2.5	-11.1%	-64.0%
Total liabilities and deferred inflows	<u>1,946.6</u>	<u>1,528.9</u>	<u>1,411.0</u>	<u>27.3%</u>	<u>8.4%</u>
Net Position:					
Net investment in capital assets	(1.3)	(1.2)	(1.2)	-8.3%	0.0%
Restricted by state statute	176.9	170.5	169.2	3.8%	0.8%
Restricted for pension benefits	0.6	0.6	0.6	0.0%	0.0%
Restricted by bond indentures	359.5	357.6	386.7	0.5%	-7.5%
Restricted by HOME, HTF, NSP, HAF program	96.3	89.7	84.9	7.4%	5.7%
Total net position	<u>632.0</u>	<u>617.2</u>	<u>640.2</u>	<u>2.4%</u>	<u>-3.6%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,578.6</u>	<u>\$ 2,146.1</u>	<u>\$ 2,051.2</u>	<u>20.2%</u>	<u>4.6%</u>

(continued on next page)

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

Financial Highlights for FY 2024

- Total operating revenues increased 85.5% to \$159.2 million for FY 2024, from \$85.8 million for FY 2023. The main factors contributing to this increase were an additional \$29.6 million in investment income, an additional \$10.7 million of HUD contributions and a \$33.4 million increase in market value adjustment.
- Total operating expenses increased 32.7% to \$144.4 million for FY 2024, from \$108.8 million for FY 2023. The primary components of the increase were an additional \$16.2 million in interest expense and housing grants for the Housing Infrastructure program.
- Net position of the Authority for FY 2024 was \$632.0 million, which represented an increase of \$14.8 million, or 2.4%, from the FY 2023 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$284.6 million at the end of FY 2024, which represented an increase of \$8.6 million, or 3.1%, for FY 2024 from the FY 2023 level of \$276.0 million. In the last 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. The reason for the increase in loan balance in FY 2024 was for loans made in the HOME, Housing Trust Fund and the Housing Infrastructure program.
- Investments were \$1,627.0 million at the end of FY 2024, which represented an increase of \$419.2 million, or 34.7%, from the FY 2023 total of \$1,207.8 million. The increase is primarily related to the purchase of program mortgage-backed securities.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$53.2 million at the end of FY 2024 and \$33.4 million at the end of FY 2023.
- Interest income on mortgage loans was \$6.4 million for FY 2024, which represented a decrease of \$1.1 million from the \$7.5 million reported in FY 2023. Even though the loan balance increased in FY 2024, the new loans added for the year are zero interest loans, so as the homeownership loan balance continues to decrease, so will the interest income on loans.
- Investment income was \$80.7 million for FY 2024, which represented an increase of \$29.6 million, or 57.9%, in FY 2024 from \$51.1 million for FY 2023 due to the increase in rate of return on investments and an increase in the amount of funds held as investments. The fair market value decreased by \$7.1 million in FY 2024 and decreased by \$40.5 million in FY 2023. The FY 2024 fair market decrease was a result of the continued rise in interest rates to curb inflation. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$21.9 million for FY 2024 compared to \$17.5 million for FY 2023.

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

- Deferred outflows of resources from interest rate swaps at the end of FY 2024 increased by \$0.4 million from the FY 2023 level of \$0.0 million. Deferred inflows of resources from interest rate swaps at the end of FY 2024 increased to \$27.3 million from \$22.1 million at the end of FY 2023, or 23.5%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,834.0 million for FY 2024, which was an increase of \$422.8 million, or 30.0%, in FY 2024 from \$1,411.2 million in FY 2023 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$54.3 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2024. This is a decrease of \$18.5 million, or 25.4%, from FY 2023. Of the \$18.5 million, only \$16.7 million was used for housing assistance payments and the other \$1.8 million was returned to the U.S. Treasury.
- Interest expense on bonds and notes outstanding increased \$16.2 million, or 46.0%, in FY 2024 from \$35.2 million in FY 2023 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$5.2 million from the Homeownership Mortgage Loan Program and \$3.0 million from the Multiple Purpose Bond Resolution 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 \$6.7 million, the other \$1.5 million was transferred to fund the Housing Opportunity Fund.

Financial Highlights for FY 2023

- Total operating revenues decreased 41.2% to \$85.8 million for FY 2023, from \$145.9 million for FY 2022. The main factor contributing to this decrease was not receiving \$150 million from the State to finance a housing infrastructure program like we did in FY 2022 and a smaller market value adjustment in FY 2023.
- Total operating expenses decreased 3.4% to \$108.8 million for FY 2023, from \$112.6 million for FY 2022. The primary component of the decrease was less spending on COVID-related housing assistance payments.
- Net position of the Authority for FY 2023 was \$617.2 million, which represented a decrease of \$23.0 million, or 3.6%, from the FY 2022 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$276.0 million at the end of FY 2023, which represented a decrease of \$7.1 million, or 2.5%, for FY 2023 from the FY 2022 level of \$283.1 million. In the last half of FY 2022, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

- Investments were \$1,207.8 million at the end of FY 2023, which represented an increase of \$97.3 million, or 8.8%, from the FY 2022 total of \$1,110.5 million. The increase is primarily related to the purchase of program mortgage-backed securities.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$33.4 million at the end of FY 2023 and \$45.9 million at the end of FY 2022.
- Interest income on mortgage loans was \$7.5 million for FY 2023, which represented a decrease of \$1.2 million from the \$8.7 million reported in FY 2022. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$51.1 million for FY 2023, which represented an increase of \$13.6 million, or 36.3%, in FY 2023 from \$37.5 million for FY 2022 due to the increase in rate of return on investments and an increase in the amount of funds held as investments. The fair market value decreased by \$40.5 million in FY 2023 and decreased by \$125.4 million in FY 2022. The FY 2023 fair market decrease was a result of the continued rise in interest rates in order to curb inflation. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$17.5 million for FY 2023 compared to \$158.7 million for FY 2022. The large decrease in net position was due primarily to not receiving a contribution of \$150 million from the State of South Dakota's general fund to be used for financing a housing infrastructure program as we did in FY 2022.
- Deferred outflows of resources from interest rate swaps at the end of FY 2023 remained the same as FY 2022 at \$0.0 million. Deferred inflows of resources from interest rate swaps at the end of FY 2023 increased to \$22.1 million from \$14.6 million at the end of FY 2022, or 51.4%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,411.2 million for FY 2023, which was an increase of \$149.4 million, or 11.8%, in FY 2023 from \$1,261.8 million in FY 2022 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$72.8 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2023. This is a decrease of \$40.0 million, or 35.5%, from FY 2022. Of the \$40.0 million, only \$20.5 million was used for housing assistance payments and the other \$19.5 million was returned to the U.S. Treasury.
- Interest expense on bonds and notes outstanding increased \$6.1 million, or 21.0%, in FY 2023 from \$29.1 million in FY 2022 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$4.2 million from the Homeownership Mortgage Loan Program and \$1.3 million from the Single Family Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. In addition to the 1% of loan purchases, which was approximately \$4.0 million, the other \$1.5 million was transferred to fund the Housing Opportunity Fund.

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

Loan Portfolio Activity for FY 2024 and FY 2023

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 \$500 million of MBS's during FY 2024 compared to \$324 million in FY 2023.

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

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 2024, the Authority had \$1,834.0 million in bonds outstanding, an 30.0% increase from FY 2023. As of FY 2023, the Authority had \$1,411.2 million in bonds outstanding, an 11.8% increase from FY 2022.

The Authority issued a total of \$557.0 million in bonds in FY 2024 as new long-term debt. \$70 million of this this is a Convertible Option Bond with a mandatory tender date of December 12, 2024. Of the \$557 million, \$434.9 million was new money and used to finance the Homeownership Mortgage Loan Program. \$52.1 million was used to replacement refund existing bonds. No bonds were issued to refund existing bonds and \$70 million was issued to preserve bonding authority. The Authority issued a total of \$218.0 million in bonds in FY 2023 as new long-term debt. Of that amount, \$178.0 million was new money and used to finance the Homeownership Mortgage Loan Program. \$40.0 million was used to replacement refund existing bonds. No bonds were issued to refund existing bonds or to preserve bonding authority.

The Authority retired or paid at maturity a total of \$140.0 million in bonds in FY 2024. \$114.7 million was redeemed from refundings, prepayments, and excess reserves and \$25.3 million was maturing principal. The Authority retired or paid at maturity a total of \$68.6 million in bonds in FY 2023. \$66.1 million was redeemed from refundings, prepayments, and excess reserves and \$2.5 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2024 and FY 2023, and rated Aaa by Moody's Investors Service in FY 2024 and FY 2023. In FY 2024 and FY 2023, 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 2024 and FY 2023. 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.

(continued on next page)

Management's Discussion and Analysis

June 30, 2024 and 2023 (Unaudited)

Capital Assets

Capital assets decreased by \$0.1 million in FY 2024 from \$4.5 million in FY 2023. This net change is due to the depreciation of existing assets.

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

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

Economic Outlook

Economic conditions in South Dakota are relatively good due to prudent fiscal policy. The State of South Dakota operates on a balanced budget and the State's pension fund is 100.1% funded. The State's foreclosure rate of 0.37%, delinquency rate of 3.47%, and a steady unemployment rate (currently 2.0%) 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

<i>Assets</i>	2024	2023
<i>Current Assets</i>		
Cash and cash equivalents (Note 3)	\$ 559,497,148	\$ 585,264,439
Investment securities - other (Note 3)	83,304,123	17,707,261
Investments - program mortgage-backed securities (Note 3)	222,916,863	162,871,108
Mortgage loans receivable, net (Note 4)	31,991,578	33,416,933
Interest receivable	8,572,453	6,058,925
Other receivables	1,363,338	1,824,866
Other assets	6,787,454	3,956,543
<i>Total Current Assets</i>	914,432,957	811,100,075
<i>Noncurrent Assets</i>		
Investment securities - other (Note 3)	206,475,678	213,117,815
Investments - program mortgage-backed securities (Note 3)	1,114,316,868	814,160,131
Mortgage loans receivable, net (Note 4)	252,685,173	242,618,322
Line of credit receivable (Note 5)	53,203,587	33,469,656
Other receivables	2,165,391	1,509,986
Hedging derivatives (Note 9)	27,248,366	22,059,427
Capital assets, at cost, less accumulated depreciation (Note 17)	4,391,140	4,507,293
<i>Total Noncurrent Assets</i>	1,660,486,203	1,331,442,630
<i>Total Assets</i>	2,574,919,160	2,142,542,705
<i>Deferred Outflows of Resources</i>		
Loss on refundings	1,912,831	2,048,140
Swaps (Note 9)	393,892	-
Related to pensions (Note 14)	1,397,347	1,527,970
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 2,578,623,230	\$ 2,146,118,815
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Bonds payable (Note 6)	\$ 163,152,987	\$ 57,997,307
Accrued interest payable	13,487,732	8,039,029
Unearned revenue	17,000,000	21,000,000
Accounts payable and other liabilities (Note 18)	3,098,230	1,869,741
Multifamily escrows and reserves	1,249,466	1,375,325
<i>Total Current Liabilities</i>	197,988,415	90,281,402
<i>Noncurrent Liabilities</i>		
Bonds payable (Note 6)	1,670,843,302	1,353,201,378
Unearned revenue	37,288,014	51,808,423
Accounts payable and other liabilities (Note 18)	3,559,728	1,522,612
Hedging derivatives (Note 9)	393,892	-
<i>Total Noncurrent Liabilities</i>	1,712,084,936	1,406,532,413
<i>Total Liabilities</i>	1,910,073,351	1,496,813,815
<i>Deferred Inflows of Resources</i>		
Gain on refundings	8,467,162	9,111,198
Swaps (Note 9)	27,248,366	22,059,427
Related to pensions (Note 14)	795,264	901,943
<i>Total Liabilities and Deferred Inflows of Resources</i>	1,946,584,143	1,528,886,383
<i>Net Position</i>		
Net investment in capital assets	(1,268,860)	(1,252,707)
Restricted for pension benefits	617,864	641,410
Restricted by state statute	176,879,403	170,540,923
Restricted by bond indentures	359,482,325	357,580,828
Restricted by HOME, HTF, NSP, and HAF Program	96,328,355	89,721,978
<i>Total Net Position</i>	632,039,087	617,232,432
<i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	\$ 2,578,623,230	\$ 2,146,118,815

See Notes to Financial Statements

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

For the Years Ended June 30

Operating Revenues	2024	2023
Interest income on mortgage loans	\$ 6,369,588	\$ 7,475,839
Earnings on investments and program mortgage-backed securities	80,681,925	51,124,595
Net decrease in the fair market value of investments and program mortgage-backed securities	(7,079,602)	(40,542,081)
HUD contributions	51,193,634	40,500,014
U.S. Treasury contributions/COVID	16,708,872	20,446,249
Fee, grant and other income	11,302,461	6,788,249
Total Operating Revenues	159,176,878	85,792,865
Operating Expenses		
Interest	51,434,185	35,155,668
HUD housing assistance payments	27,647,481	27,647,206
U.S. Treasury housing assistance payments/COVID	16,708,872	20,446,249
Servicer fees	417,586	481,189
Arbitrage rebate (benefit)	2,024,528	222,527
General and administrative	8,163,266	7,779,389
Bond financing costs	5,858,741	2,646,343
Other housing programs	25,358,125	9,278,556
Provision for loan loss	6,757,439	5,091,638
Total Operating Expenses	144,370,223	108,748,765
Change in net position	14,806,655	(22,955,900)
Net position, beginning of fiscal year	617,232,432	640,188,332
Net Position, End of Fiscal Year	\$ 632,039,087	\$ 617,232,432

Statements of Cash Flows

For the Years Ended June 30

	2024	2023
Cash Flows Provided by (Used in) Operating Activities		
Receipts from loan payments and program mortgage-backed securities	\$ 177,739,548	\$ 165,247,310
Receipts for program fees	11,095,105	5,850,349
Receipts from federal housing programs	51,193,634	40,500,014
Payments for loan programs and program mortgage-backed securities	(517,803,143)	(288,956,677)
Payments for operating expenses	(2,414,743)	(3,922,573)
Payments to employees	(6,211,655)	(5,291,205)
Payments for federal housing programs	(27,647,481)	(27,647,206)
Payments for U.S. Treasury Housing Assistance/COVID	(16,708,872)	(20,446,249)
Payments to U.S. Treasury for return of housing assistance funds	(1,811,537)	(19,500,000)
Payments for other housing programs	(26,581,716)	(6,146,734)
Net Cash Used in Operating Activities	(359,150,860)	(160,312,971)
Cash Flows Provided by (Used in) Noncapital Financing Activities		
Proceeds from sale of bonds	567,499,480	221,670,524
Principal paid on bonds	(139,886,118)	(68,498,004)
Interest paid on bonds and swaps	(50,994,626)	(35,974,211)
Bond issuance costs paid	(5,850,941)	(2,646,343)
Net Cash Provided by Noncapital Financing Activities	370,767,795	114,551,966
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Purchase of capital fixed assets	(306,858)	(292,628)
Proceeds from sale of assets	13,878	15,650
Principal paid on bonds	(100,000)	(95,000)
Interest paid on capital debt	(215,339)	(132,103)
Net Cash Used in Capital and Related Financing Activities	(608,319)	(504,081)
Cash Flows Provided by (Used in) Investing Activities		
Purchase of investment securities	(117,550,699)	(93,349,131)
Proceeds from sale and maturities of investment securities	60,732,670	136,445,357
Interest received on investments	20,042,122	13,750,331
Net Cash Provided by (Used in) Investing Activities	(36,775,907)	56,846,557
Change in Cash and Cash Equivalents	(25,767,291)	10,581,471
Cash and Cash Equivalents, Beginning of Year	585,264,439	574,682,968
Cash and Cash Equivalents, End of Year	\$ 559,497,148	\$ 585,264,439
Reconciliation of Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities		
Operating income (loss)	\$ 14,806,655	\$ (22,955,900)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Interest on bonds payable	51,434,185	35,155,668
Net decrease in fair market value of investments	7,079,602	40,542,081
Interest from investments	(18,971,893)	(17,555,610)
Bond financing costs	5,858,741	2,646,343
Provision for loan loss	6,757,439	5,091,638
Depreciation	423,011	416,584
Gain on sale of fixed assets	(13,878)	(15,650)
Changes in assets and liabilities:		
Loan interest receivable	(1,952,152)	(915,742)
Accounts payable and other liabilities	3,265,605	204,383
Mortgage loans receivable	(15,398,935)	2,000,861
Investments - program mortgage-backed securities	(371,058,197)	(178,286,756)
Unearned revenue	(18,520,409)	(39,946,249)
Line of credit receivable	(19,733,931)	12,447,446
Other receivables	(193,478)	(831,279)
Other assets	(2,830,911)	1,802,573
Related to pensions	23,545	(90,971)
Multifamily escrows and reserves	(125,859)	(22,391)
Net Cash Used in Operating Activities	\$ (359,150,860)	\$ (160,312,971)

Notes to Financial Statements

Note 1 - Authorizing Legislation and Indentures:

Authorizing Legislation:

The South Dakota Housing Development Authority (the Authority) was created in 1973 by an Act of the South Dakota Legislature. The Authority was established for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the state through the use of public financing including public construction, public loans, public purchase of mortgages, and otherwise. The Authority may issue notes and bonds in principal amounts specifically approved by the Governor. The Internal Revenue Code of 1986 established a state ceiling for qualified private activity bonds applicable to the State of South Dakota for any calendar year. The calendar year state allocation for South Dakota is \$378,230,000 for 2024. 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.

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.

(continued on next page)

Notes to Financial Statements

Single Family Mortgage Bonds:

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

Multiple Purpose Bonds:

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

Note 2 - Significant Accounting Policies:

Basis of Presentation:

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

Measurement Focus and Basis of Accounting:

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

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.

Notes to Financial Statements

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.

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.

Notes to Financial Statements

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.

Capital Asset Policy:

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

Inventory:

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

Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. The Authority's contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

Notes to Financial Statements

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 (\$2,286,824) and (\$271,355) at June 30, 2024 and 2023, 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.

Government-Mandated Non-Exchange Transactions:

Government-mandated non-exchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use the resources for a specific purpose or purposes established in the provider's enabling legislation. The Authority recognizes revenues when the resources are received provided that all eligibility requirements have been met. Resulting net position is reported as restricted for as long as the provider's purpose restrictions remain in effect. During 2022, the Authority received a \$150 million contribution from the State of South Dakota's general fund pursuant to House Bill 1033 to be used for a housing infrastructure program, which was reported as revenue and restricted net position as of and for the year ended June 30, 2022. The \$154 million (\$150 million plus interest) continues to be listed in the restricted net position as of year ended June 30, 2024.

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.

Notes to Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, of the Authority's deposits of \$78,573,163 (carrying value of \$76,101,732) and \$94,814,856 (carrying value of \$92,293,887), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The \$148,869,925 and \$151,316,972 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2024 and 2023, 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.

Notes to Financial Statements

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, 2024 and 2023, 75% and 72%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2024 and 2023, the Authority had investments maturing as follows:

	2024 Investment Maturities (in Years)				Greater Than 10
	Fair Value	Less than 1	1 to 5	6 to 10	
U.S. Government obligations	\$ 75,827,914	\$ 9,258,243	\$ 43,667,253	\$ 22,574,832	\$ 327,586
U.S. Agency obligations	1,542,541,335	72,832,273	21,236,172	8,428,963	1,440,043,927
Money market/mutual funds	334,525,491	334,525,491	-	-	-
Certificates of deposit	248,917	248,917	-	-	-
Corporate-backed obligations	2,799,350	2,640	176,145	1,187,600	1,432,965
State obligations	5,596,015	962,050	3,610,735	1,023,230	-
Total	<u>\$ 1,961,539,022</u>	<u>\$ 417,829,614</u>	<u>\$ 68,690,305</u>	<u>\$ 33,214,625</u>	<u>\$ 1,441,804,478</u>

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

Notes to Financial Statements

At June 30, 2024 and 2023, certain cash equivalents and investments in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2024		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 52,941,151	\$ -	\$ 873,723
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,727,292	-	-
Debt service reserve	-	353,100	-
Total	\$ 54,668,443	\$ 353,100	\$ 873,723
	2023		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 40,345,234	\$ -	\$ 1,234,473
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,982,103	-	-
Debt service reserve	-	426,000	-
Total	\$ 42,327,337	\$ 426,000	\$ 1,234,473

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

Type/Provider	Moody's Credit Rating	2024		2023	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 334,525,491	17.1%	\$ 341,653,580	22.0%
Certificates of deposit	NR	248,918	0.0%	240,908	0.0%
Corporate-backed obligations	NR	2,799,350	0.1%	2,696,266	0.2%
U.S. Gov't agency securities	Aaa	73,472,399	3.7%	3,562,800	0.2%
U.S. Treasury securities	Aaa	75,827,914	3.9%	79,985,924	5.2%
State and municipal securities	NR to Aaa	5,596,014	0.3%	10,273,285	0.7%
Mortgage-backed securities:					
GNMA	NR	896,409,427	45.7%	689,222,098	44.5%
FNMA	NR	556,373,432	28.4%	402,516,700	26.0%
FHLMC	NR	16,286,077	0.8%	19,358,333	1.2%
		\$ 1,961,539,022	100.0%	\$ 1,549,509,894	100.0%

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Notes to Financial Statements

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Homeownership Mortgage Loans	\$ 135,863,040	\$ 143,888,410
Single Family Mortgage Loans	13,585,077	15,304,297
Multiple Purpose Loans	28,632,962	21,412,053
Other (General Operating Account)	106,595,672	95,430,495
Total	<u>\$ 284,676,751</u>	<u>\$ 276,035,255</u>

The above loans are substantially insured by FHA or private mortgage insurance companies, or guaranteed, in part, by the VA or USDA Rural Development. Losses on mortgage loans in the Homeownership Mortgage Bond Program are also secured by an insurance reserve fund established under the bond resolution. The mortgage loans receivable are reflected net of an allowance for loan loss of \$1,133,639 and \$979,686 as of June 30, 2024 and 2023, 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 \$31,488,032 and \$26,287,908 as of June 30, 2024 and 2023, 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, 2024 and 2023, is \$24,157 and \$141,728, 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, 2024. As of June 30, 2024 and 2023, the balance of this line of credit receivable was \$53,203,587 and \$33,469,656, respectively.

Notes to Financial Statements

Note 6 - Bonds Payable:

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

Bond Issue	Maturity Date	Interest Rate	2024			2023
			Serial	Term (1)	Total Outstanding	Total Outstanding
2013 Series B	2024-2025	2.9%-3.0%	\$ 1,405	\$ -	\$ 1,405	\$ 2,695
2013 Series C	2030-2033	3.55%	-	4,110	4,110	4,370
2013 Series D	2043	3.25%-4.0%	-	9,945	9,945	11,150
2013 Series E	2032-2044	4.00%	-	-	-	335
2013 Series F	2024	3.50%	590	-	590	1,930
2014 Series A	2030-2044	4.00%	-	-	-	1,085
2014 Series B	2023-2024	3.15%-3.25%	-	-	-	1,490
2014 Series C	2024-2025	3.3%-3.45%	2,470	-	2,470	2,845
2014 Series D	2024-2028	2.85%-3.15%	5,295	1,655	6,950	10,355
2014 Series E	2030-2044	4.00%	-	-	-	1,445
2014 Series F	2024-2025	3.496%-3.596%	2,895	-	2,895	5,090
2015 Series A	2024-2025	2.55%-2.75%	3,640	-	3,640	4,540
2015 Series B	2024	3.27%	645	-	645	3,365
2015 Series C	2045	5.38%	-	30,000	30,000	30,000
2015 Series D	2024-2045	2.55%-4.0%	200	2,130	2,330	5,020
2015 Series E	2027-2037	3.830% (2)	-	25,000 (3)	25,000	25,000
2016 Series A	2024-2036	3.05%-3.45%	7,405	890	8,295	11,515
2016 Series B	2024-2046	2.0%-3.5%	5,175	11,620	16,795	20,210
2016 Series C	2024-2025	2.30%-2.45%	4,890	-	4,890	8,935
2016 Series D	2037-2046	3.50%	-	8,150	8,150	14,590
2017 Series A	2024-2037	2.996%-3.492%	5,115	1,220	6,335	8,160
2017 Series B	2024-2047	2.20%-4.0%	19,405	29,340	48,745	56,875
2017 Series C	2037-2039	4.00%	-	2,310	2,310	3,535
2017 Series D	2024-2047	2.10%-4.0%	14,650	27,820	42,470	50,885
2017 Series E	2024-2039	2.60%-4.0%	6,030	3,365	9,395	13,470
2017 Series F	2027-2030	2.6%-2.95%	12,065	-	12,065	12,065
2018 Series A	2024-2048	2.65%-4.0%	12,695	10,865	23,560	30,120
2018 Series B	2024-2048	2.85%-4.5%	12,220	13,635	25,855	32,610
2019 Series A	2024-2049	2.25%-4.0%	19,145	18,275	37,420	44,370
2019 Series B	2024-2049	1.40%-4.0%	24,955	33,185	58,140	65,335
2020 Series A	2024-2050	1.30%-3.75%	19,580	19,075	38,655	46,255
2020 Series B	2031-2041	3.83% (2)	-	33,000	33,000	33,000
2020 Series C	2024-2051	0.65%-3.50%	23,285	22,650	45,935	53,610
2020 Series D	2033-2043	3.83% (2)	-	33,000	33,000	33,000
2021 Series A	2024-2051	0.40%-3.0%	26,680	55,960	82,640	90,095
2021 Series B	2024-2051	0.45%-3.0%	28,025	73,830	101,855	109,815
2021 Series C	2024-2030	0.721%-2.019%	15,600	-	15,600	17,680
2022 Series A	2024-2027	0.85%-5.0%	11,380	-	11,380	14,265
2022 Series B	2028-2052	1.4%-5.0%	25,530	68,195	93,725	97,345
2022 Series C	2024-2053	2.60%-5.0%	22,295	39,395	61,690	65,465
2022 Series D	2038-2046	3.90% (2)	-	33,000	33,000	33,000
2022 Series E	2024-2053	4.637%-5.796%	7,450	23,445	30,895	32,920
2022 Series F	2038-2046	5.35% (2)	-	17,000	17,000	17,000
2023 Series A	2024-2054	2.55%-6.0%	23,125	74,475	97,600	99,000
2023 Series B	2024-2053	4.13%-5.13%	12,705	32,205	44,910	46,000
2023 Series C	2039-2047	5.40% (2)	-	23,000	23,000	23,000
2023 Series D	2024-2054	3.40%-6.0%	22,250	76,425	98,675	-
2023 Series E	2024-2054	5.66%-6.25%	10,585	39,240	49,825	-
2023 Series F	2039-2048	5.35% (2)	-	25,000	25,000	-
2023 Series G	2024-2055	3.55%-6.25%	21,720	83,240	104,960	-
2023 Series H	2024-2054	5.468-6.266%	9,070	30,885	39,955	-
2023 Series I	2040-2048	5.35% (2)	-	20,000	20,000	-
2023 Series J	2024	3.875%	-	70,000	70,000	-
2024 Series A	2040-2055	4.45-6.25%	-	99,000	99,000	-
2024 Series B	2025-2039	5.097-5.430%	-	49,000	49,000	-
Total					1,714,705	1,294,840
2016 Series E	2029-2037	4.23% (2)	-	50,000	50,000	50,000
Total Direct Placements					50,000	50,000
Plus unamortized premium					37,680	31,867
Total Homeownership Mortgage Program Bonds					\$ 1,802,385	\$ 1,376,707

(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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Notes to Financial Statements

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

Bond Issue	Maturity Date	Interest Rate	2024		Total Outstanding	2023 Total Outstanding
			Serial	Term (1)		
2016-1	2024-2041	2.584%-3.5%	\$ 4,005	\$ 7,765	\$ 11,770	\$ 14,200
Total					11,770	14,200
Plus unamortized premium					81	112
Total Single Family Mortgage Bonds					\$ 11,851	\$ 14,312

(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	2024		Total Outstanding	2023 Total Outstanding
			Serial	Term (1)		
2009 Series A	2024-2048	4.13% (2)	\$ -	\$ 5,660	\$ 5,660	\$ 5,760
2013 Series A	2028	3.65%	-	150	150	150
2020 Series A	2024-2062	3.90% (2)	-	13,950	13,950	14,270
Total Multiple Purpose Bonds					\$ 19,760	\$ 20,180
					\$ 1,833,996	\$ 1,411,199

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

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

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2024 and 2023:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 1,294,841,140	\$ 557,000,000	\$ 137,136,118	\$ 1,714,705,022	\$ 161,752,988
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	14,200,000	-	2,430,000	11,770,000	970,000
Multiple Purpose Bonds	20,180,000	-	420,000	19,760,000	430,000
Unamortized Premium/Discount	31,977,545	10,499,479	4,715,757	37,761,267	-
	\$ 1,411,198,685	\$ 567,499,479	\$ 144,701,875	\$ 1,833,996,289	\$ 163,152,988

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 1,143,119,143	\$ 218,000,002	\$ 66,278,005	\$ 1,294,841,140	\$ 56,757,307
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	16,150,000	-	1,950,000	14,200,000	820,000
Multiple Purpose Bonds	20,545,000	-	365,000	20,180,000	420,000
Unamortized Premium/Discount	32,005,840	3,670,524	3,698,819	31,977,545	-
	\$ 1,261,819,983	\$ 221,670,526	\$ 72,291,824	\$ 1,411,198,685	\$ 57,997,307

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.

Notes to Financial Statements

Required principal and interest payments are as follows:

Year Ended June 30	Homeownership Mortgage Program Bonds		Homeownership Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 161,752,988	\$ 61,262,582	\$ -	\$ 2,115,000
2026	58,430,000	54,963,775	-	2,115,000
2027	54,210,000	53,657,251	-	2,115,000
2028	55,705,000	51,673,762	-	2,115,000
2029	55,210,000	50,330,096	-	2,115,000
2030-2034	241,725,000	228,073,300	30,825,000	7,695,956
2035-2039	222,840,000	194,071,711	19,175,000	1,384,796
2040-2044	268,362,034	158,795,048	-	-
2045-2049	336,265,000	107,567,544	-	-
2050-2054	252,510,000	37,566,456	-	-
2055-2059	7,695,000	300,636	-	-
Total	\$ 1,714,705,022	\$ 998,262,161	\$ 50,000,000	\$ 19,655,752

Year Ended June 30	Single Family Mortgage Bonds		Multiple Purpose Bonds	
	Principal	Interest	Principal	Interest
2025	\$ 970,000	\$ 373,055	\$ 430,000	\$ 250,143
2026	1,260,000	346,577	450,000	248,655
2027	1,225,000	312,216	460,000	243,594
2028	1,300,000	274,691	475,000	238,341
2029	1,445,000	229,862	640,000	229,913
2030-2034	3,425,000	550,121	2,695,000	1,038,413
2035-2039	1,200,000	315,370	3,185,000	837,378
2040-2044	945,000	49,696	3,775,000	568,862
2045-2049	-	-	4,010,000	212,252
2050-2054	-	-	1,250,000	16,994
2055-2059	-	-	1,380,000	9,797
2060-2064	-	-	1,010,000	2,168
Total	\$ 11,770,000	\$ 2,451,588	\$ 19,760,000	\$ 3,896,510

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.

Notes to Financial Statements

The following table sets forth certain information related to liquidity providers for variable rate bonds issued and outstanding as of June 30, 2024:

Homeownership Mortgage Bonds	Liquidity Provider	Bond Maturity	Liquidity Provider Rating (Moody's/S&P)	Expiration Date	Bonds Outstanding
2015 Series C	The Authority	11/1/2045	Aa3/NR	11/1/2045	\$ 30,000,000
2020 Series B	The Authority	11/1/2041	Aa3/NR	11/1/2041	\$ 33,000,000
2015 Series E	Bank of America	11/1/2037	Aa1/A+	5/1/2025	\$ 25,000,000 *
2020 Series D	Bank of America	5/1/2043	Aa1/A+	2/10/2027	\$ 33,000,000 *
2022 Series D	FHLB of Des Moines	11/1/2046	Aaa/AA+	6/23/2027	\$ 33,000,000 *
2022 Series F	The Authority	11/1/2046	Aa3/NR	11/1/2046	\$ 17,000,000
2023 Series C	The Authority	11/1/2047	Aa3/NR	11/1/2047	\$ 23,000,000
2023 Series F	FHLB of Des Moines	5/1/2048	Aaa/AA+	10/4/2028	\$ 25,000,000 *
2023 Series I	FHLB of Des Moines	11/1/2048	Aaa/AA+	12/13/2028	\$ 20,000,000 *

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	\$ 5,660,000
2020 Series A	FHLB of Des Moines	11/1/2062	Aaa/AA+	6/30/2028	\$ 13,950,000 *

* 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, 2024 and 2023, the aggregate principal amount of conduit debt outstanding totaled \$56,468,935 and \$9,654,500, respectively.

Notes to Financial Statements

Note 8 - Refunding of Debt:

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

During the year ended June 30, 2024, the Authority issued Homeownership Mortgage Bonds Series 2023D in the aggregate principal amount of \$99 million, of which \$52.1 million of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

Notes to Financial Statements

Note 9 - Hedging Derivatives:

Interest Rate Swaps:

Swap Objectives:

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

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2024 and 2023, 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, 2024	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2024	Fair Value June 30, 2023	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2023
Wells Fargo Bank									
2015 E-1	25,000,000	4/1/2016 11/1/2037	2.1050%	66.4% of LIBOR plus 0.22%	Aa1	\$ 1,894,476	\$ 182,478	\$ 1,711,998	\$ 820,236
2016 E-1	50,000,000	5/1/2019 5/1/2037	2.2080%	66.4% of LIBOR plus 0.23%	Aa1	3,839,186	446,646	3,392,540	1,789,668
2020 D	33,000,000	8/12/2020 5/1/2043	0.9280%	100% SIFMA	Aa1	7,261,137	373,180	6,887,957	769,656
MPB 2020 A	13,950,000	12/7/2020 5/1/2060	1.3100%	100% SIFMA	Aa1	2,800,805	261,735	2,539,070	474,599
Bank of America									
2022 D	33,000,000	6/23/2022 11/1/2046	2.3490%	70.0% of SOFR plus 0.08%	Aa1	3,471,908	1,155,213	2,316,695	1,555,219
2023 F	25,000,000	10/4/2023 11/1/2047	4.8100%	100% SOFR plus 0.15%	Aa1	321,965	321,965	-	-
Bank of New York Mellon									
2020 B	33,000,000	2/12/2020 11/1/2041	1.6525%	100% SIFMA	Aa1	4,472,934	346,776	4,126,158	950,071
2022 F	17,000,000	10/13/2022 11/1/2046	4.3770%	100% SOFR plus 0.15%	Aa1	913,913	882,646	31,267	31,267
2023 C	23,000,000	2/15/2023 11/1/2047	3.9500%	100% SOFR plus 0.15%	Aa1	2,272,042	1,218,300	1,053,742	1,053,742
2023 I	20,000,000	12/13/2023 5/1/2048	5.1750%	100% SOFR plus 0.15%	Aa1	(393,892)	(393,892)	-	-
						<u>\$26,854,474</u>		<u>\$22,059,427</u>	

*Moody's Investor Service

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Notes to Financial Statements

Fair Value:

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero-coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market-implied volatility. Together, these calculations, along with considerations for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2024 and 2023. 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, 2024 and 2023, 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, 2024 and 2023, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.31% and 1.15% per annum, respectively, while the weighted average interest rate on the swaps was 1.50% and 1.23% 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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Notes to Financial Statements

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

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

Swap Payments and Associated Debt: Variable-rate bond interest payments and net swap payments will vary during their term. Future debt service requirements of the variable-rate debt and net swap payments as of June 30, 2024, are as follows:

Year Ended June 30	Variable Rate Bond		Interest Rate	Total
	Principal	Interest	Swap - Net	
2025	\$ 325,000	\$ 12,019,131	\$ (4,781,504)	\$ 7,562,627
2026	340,000	12,005,502	(4,773,035)	7,572,467
2027	340,000	11,991,460	(4,764,310)	7,567,150
2028	350,000	11,972,240	(4,753,108)	7,569,132
2029	4,075,000	11,887,122	(4,714,890)	11,247,232
2030-2034	50,370,000	53,976,540	(21,139,952)	83,206,588
2035-2039	71,375,000	40,689,737	(14,241,690)	97,823,047
2040-2044	90,290,000	24,278,168	(6,808,390)	107,759,778
2045-2049	51,845,000	5,943,883	(1,626,620)	56,162,263
2050-2054	1,250,000	637,672	(400,325)	1,487,347
2055-2059	1,380,000	367,880	(230,952)	1,516,928
2060-2064	1,010,000	38,719	(24,307)	1,024,412
	<u>\$ 272,950,000</u>	<u>\$ 185,808,054</u>	<u>\$ (68,259,083)</u>	<u>\$ 390,498,971</u>

Rollover Risk: Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority did not have any rollover risk as of June 30, 2024 and 2023.

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.

The Authority did not have any outstanding forward sales contracts as of June 30, 2024, or as of June 30, 2023.

Notes to Financial Statements

Note 10 - Fair Value:

The Authority had the following recurring fair value measurements as of June 30, 2024:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
U.S. Treasuries	\$ -	\$ 75,827,914	\$ -
U.S. Government agencies	-	1,542,541,335	-
Corporate-backed obligations	-	2,799,350	-
Money market mutual funds	334,525,491	-	-
Certificates of deposit	-	248,918	-
State obligations	-	5,596,015	-
Total investments by fair value level	\$ 334,525,491	\$ 1,627,013,532	\$ -
Hedging derivative instruments			
Assets			
Interest rate swaps	\$ -	\$ 27,248,366	\$ -
	\$ -	\$ 27,248,366	\$ -
Liabilities			
Interest rate swaps	\$ -	\$ 393,892	\$ -
	\$ -	\$ 393,892	\$ -

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

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

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Notes to Financial Statements

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

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

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

Note 11 - Net Position:

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

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

	<u>2024</u>	<u>2023</u>
Bond and notes reserve	\$ 4,490,588	\$ 3,448,053
Program operations reserve	6,162,643	4,826,857
Total	<u>\$ 10,653,231</u>	<u>\$ 8,274,910</u>

Note 12 - Commitments:

As of June 30, 2024, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$100,270,851.
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Notes to Financial Statements

Note 13 - Segment Information:

The Authority issues bonds to finance the purchase of single-family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the years ended June 30, 2024 and 2023, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2024			2023		
	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)	\$ 21,099,791	\$ (11,958,403)	\$ (2,508,291)	\$ 19,223,799	\$ (11,819,576)	\$ (114,460)
Current assets	639,784,820	8,889,118	26,250,722	526,850,532	8,408,840	20,557,449
Noncurrent assets	1,479,093,177	15,397,389	64,600,088	1,154,771,067	17,648,417	68,365,964
Total Assets	2,139,977,788	12,328,104	88,342,519	1,700,845,398	14,237,681	88,808,953
Deferred Outflows of Resources	2,306,723	-	-	2,048,140	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953
Liabilities						
Current liabilities	\$ 175,163,885	\$ 1,037,232	\$ 475,403	\$ 64,710,998	\$ 900,154	\$ 479,066
Noncurrent liabilities	1,643,306,318	10,881,412	19,330,000	1,320,198,989	13,491,844	19,760,000
Total Liabilities	1,818,470,203	11,918,644	19,805,403	1,384,909,987	14,391,998	20,239,066
Deferred Inflows of Resources	32,914,723	-	2,800,805	28,631,555	-	2,539,070
Total Liabilities and Deferred Inflows of Resources	1,851,384,926	11,918,644	22,606,208	1,413,541,542	14,391,998	22,778,136
Net Position						
Net investment in capital assets	-	-	(2,436,969)	-	-	(2,352,332)
Restricted by bond indentures	290,899,585	409,460	68,173,280	289,351,996	(154,317)	68,383,149
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 1,702,893,538	\$ 14,237,681	\$ 88,808,953
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 65,912,567	\$ 1,101,464	\$ 3,468,470	\$ 13,824,456	\$ 922,113	\$ 821,772
Operating expenses	59,177,074	612,687	762,976	37,824,377	650,260	814,556
Operating income	6,735,493	488,777	2,705,494	(23,999,921)	271,853	7,216
Transfers in (out)	(5,187,904)	75,000	(3,000,000)	(4,258,951)	(1,264,365)	-
Change in net position	1,547,589	563,777	(294,506)	(28,258,872)	(992,512)	7,216
Beginning net position	289,351,996	(154,317)	66,030,817	317,610,868	838,195	66,023,601
Ending net position	\$ 290,899,585	\$ 409,460	\$ 65,736,311	\$ 289,351,996	\$ (154,317)	\$ 66,030,817
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	\$ (321,469,193)	\$ 2,399,134	\$ (4,140,928)	\$ (165,702,435)	\$ 2,669,475	\$ (380,249)
Noncapital financing activities	369,180,437	(2,881,565)	(3,643,981)	113,492,261	(3,812,929)	(650,682)
Capital and related financing activities	-	-	(315,339)	-	-	(227,103)
Investing activities	(61,511,512)	1,245,895	14,008,963	49,242,104	1,786,367	3,130,120
Net change	(13,800,268)	763,464	5,908,715	(2,968,070)	642,913	1,872,086
Beginning cash and cash equivalents	329,310,444	5,747,822	6,595,314	332,278,514	5,104,909	4,723,228
Ending cash and cash equivalents	\$ 315,510,176	\$ 6,511,286	\$ 12,504,029	\$ 329,310,444	\$ 5,747,822	\$ 6,595,314

Notes to Financial Statements

Note 14 - Pension Plan:

Plan Information:

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

Benefits Provided:

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

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

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

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

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

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Notes to Financial Statements

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

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

Contributions:

Per SDCL § 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B judicial members, 9.0% of salary; and Class B public safety members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The Authority's share of contributions to the SDRS, at 6% of salary for the fiscal years ending June 30, 2024, 2023, and 2022, were \$297,023, \$250,240, and \$233,212, 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, 2023 and 2022, SDRS is 100.10% and 100.10%, 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, 2023 and 2022, respectively, and reported by the Authority as of June 30, 2024 and 2023, are as follows:

	2024	2023
Proportionate share of total pension liability	\$ 23,430,580	\$ 22,978,609
Less proportionate share of net position restricted for pension benefits	23,446,362	22,993,992
Proportionate share of net pension liability (asset)	\$ (15,782)	\$ (15,383)

At June 30, 2024 and 2023, the Authority reported a liability (asset) of (\$15,782) and (\$15,383), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 and 2022, 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, 2023, the Authority's proportion was 0.161694%, which was a decrease of 0.6% or 0.001083 from its proportion measured as of June 30, 2022, of 0.162777%, which was a decrease of 2.9% or 0.0047880 from its proportion measured as of June 30, 2021, of 0.167565%.

For the years ended June 30, 2024 and 2023, the Authority recognized pension expense (reduction of pension expense) of \$23,546, and (\$90,971), respectively. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 447,337	\$ -
Changes in assumption	539,526	788,689
Net difference between projected and actual earnings on pension plan investments	105,072	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	8,389	6,575
Authority contributions subsequent to the measurement date	297,023	-
Total	\$ 1,397,347	\$ 795,264

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Notes to Financial Statements

At June 30, 2024, there is \$297,023 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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

Year Ended June 30:	
2025	\$ 215,511
2026	(239,017)
2027	305,940
2028	22,396
Total	<u>\$ 304,830</u>

At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

At June 30, 2023, there was \$250,240 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, 2024.

Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded by years of service, from 7.66% at entry to 3.15% after 25 years of service
Discount rate	6.50% net of plan investment expense. This is composed an average inflation rate of 2.5% and real returns of 4.00%.
Future COLAS	1.91%

Notes to Financial Statements

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

Active and Terminated Vested Members:

Teachers, Certified Regents, and Judicial: PubT-2010

Other Class A Members: PubG-2010

Public Safety Members: PubS-2010

Retired Members:

Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65

Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above

Public Safety Retirees: PubS-2010, 102% of rates at all ages

Beneficiaries:

PubG-2010 contingent survivor mortality table

Disabled Members:

Public Safety: PubS-2010 disabled member mortality table

Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2022.

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, 2023, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	56.3%	3.8%
Investment Grade Debt	22.8%	1.7%
High Yield Debt	7.0%	2.7%
Real Estate	12.0%	3.5%
Cash	1.9%	0.8%
Total	100.0%	

Notes to Financial Statements

Discount Rate:

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

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, 2024, calculated using the discount rate of 6.50%, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability (asset)	\$ 3,234,768	\$ (15,782)	\$ (2,674,112)

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, 2024 and 2023, the Authority managed its risks as follows:

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

Notes to Financial Statements

Note 17 - Capital Assets:

	Beginning Balance			Ending Balance
	July 1, 2023	Increase	Decrease	
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	<u>220,409</u>	<u>-</u>	<u>-</u>	<u>220,409</u>
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,617,260	306,858	46,099	4,878,019
Total capital assets depreciated	<u>10,879,118</u>	<u>306,858</u>	<u>46,099</u>	<u>11,139,877</u>
Total capital assets	<u>11,099,527</u>	<u>306,858</u>	<u>46,099</u>	<u>11,360,286</u>
Less accumulated depreciation for:				
Buildings	1,854,827	127,748	-	1,982,575
Land improvements	935,799	29,621	-	965,420
Furniture and equipment	3,801,608	265,642	46,099	4,021,151
Total accumulated depreciation	<u>6,592,234</u>	<u>423,011</u>	<u>46,099</u>	<u>6,969,146</u>
Capital assets, net	<u>\$ 4,507,293</u>	<u>\$ (116,153)</u>	<u>\$ -</u>	<u>\$ 4,391,140</u>

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

Notes to Financial Statements

Note 18 - Accounts Payable and Other Accruals:

Payables at June 30, 2024 and 2023, were as follows:

	2024	2023
Accounts Payable		
Contractual/Forex	\$ 81,179	\$ 29,529
Travel/moving costs	35,493	16,991
Office/marketing	69,909	48,476
Maintenance	26,726	6,251
Cost of issuance	7,880	10,250
General	1,082,470	888,989
Housing grants	-	6,250
Prepaid sales	500,885	246,008
Excise/unemployment tax	9,121	6,742
Materials/tools	825,747	146,870
	2,639,410	1,406,356
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued vacation	721,911	704,354
Accrued payroll/taxes	30,229	-
Employee withholdings	71	28,306
Servicing fee	29,513	31,982
Arbitrage payable	2,286,824	271,355
	6,657,958	3,392,353
Total Accounts Payable and Other Liabilities	6,657,958	3,392,353
Current Liabilities	3,098,230	1,869,741
Noncurrent Liabilities	\$ 3,559,728	\$ 1,522,612

Note 19 - Subsequent Events

In September 2024, the Authority issued Homeownership Mortgage Bonds Series 2024CD in the aggregate principal amount of \$250 million, the proceeds of which are anticipated to be used to finance the Homeownership Mortgage Loan Program.

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South Dakota Housing Development
Authority

Required Supplementary Information
June 30, 2024

Schedule of Authority's Contributions

As of June 30, 2024

	South Dakota Retirement System									
	Last 10 Fiscal Years									
	(Dollar amounts in thousands)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 297	\$ 250	\$ 233	\$ 228	\$ 218	\$ 198	\$ 192	\$ 201	\$ 198	\$ 178
Contributions in relation to the contractually required contribution	297	250	233	228	218	198	192	201	198	178
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 4,950	\$ 4,171	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

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

As of June 30, 2024

South Dakota Retirement System
 Last 10 Fiscal Years *
 (Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset)	0.161694%	0.162777%	0.167565%	0.166171%	0.155522%	0.154284%	0.164311%	0.173927%	0.162348%	0.153799%
Authority's proportionate share of net pension liability (asset)	\$ (16)	\$ (15)	\$ (1,283)	\$ (7)	\$ (16)	\$ (4)	\$ (15)	\$ 588	\$ (689)	\$ (1,108)
Authority's covered payroll	\$ 4,171	\$ 3,887	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ 2,760
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.38%	-0.39%	-33.74%	-0.19%	-0.48%	-0.12%	-0.45%	17.57%	-22.94%	-40.14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.10%	100.10%	105.52%	100.04%	100.09%	100.02%	100.1%	96.89%	104.1%	107.3%

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

Notes to Required Supplementary Information

Changes from Prior Valuation

The June 30, 2023, actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2022, actuarial valuation.

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

Benefit Provision Changes

During the 2023 legislative session, no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B public safety members.

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% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%.

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

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023, actuarial valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

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

Actuarial Method Changes

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



South Dakota Housing Development
Authority

Supplementary Information

June 30, 2024

Supplemental Schedule of Net Position

As of June 30, 2024

Assets	General Operating Account	Homeownership		Single Family		Multiple Purpose		Combined Total
		Mortgage Bonds	Mortgage Bonds	Mortgage Bonds	Mortgage Bonds			
Current Assets								
Cash and cash equivalents	\$ 224,971,657	\$ 315,510,176	\$ 6,511,286	\$ 12,504,029	\$ 559,497,148			
Investment securities - other	-	70,549,948	-	12,754,175	83,304,123			
Investments - program mortgage-backed securities	-	222,906,667	10,196	-	222,916,863			
Mortgage loans receivable, net	6,384,014	22,751,440	2,274,958	581,166	31,991,578			
Interest receivable	1,834	8,066,589	92,678	411,352	8,572,453			
Other receivables	1,363,338	-	-	-	1,363,338			
Other assets	6,787,454	-	-	-	6,787,454			
Total Current Assets	239,508,297	639,784,820	8,889,118	26,250,722	914,432,957			
Noncurrent Assets								
Investment securities - other	-	171,914,918	4,036,304	30,524,456	206,475,678			
Investments - program mortgage-backed securities	-	1,114,265,902	50,966	-	1,114,316,868			
Mortgage loans receivable, net	100,211,658	113,111,600	11,310,119	28,051,796	252,685,173			
Line of credit receivable	-	53,203,587	-	-	53,203,587			
Other receivables	15,782	2,149,609	-	-	2,165,391			
Hedging derivatives	-	24,447,561	-	2,800,805	27,248,366			
Capital assets, net	1,168,109	-	-	3,223,031	4,391,140			
Due from (to) other funds	(6,633,097)	21,099,791	(11,958,403)	(2,508,291)	-			
Total Noncurrent Assets	94,762,452	1,500,192,968	3,438,986	62,091,797	1,660,486,203			
Total Assets	334,270,749	2,139,977,788	12,328,104	88,342,519	2,574,919,160			
Deferred Outflows of Resources								
Loss on refundings	-	1,912,831	-	-	1,912,831			
Forward contracts	-	-	-	-	-			
Swaps	-	393,892	-	-	393,892			
Related to pensions	1,397,347	-	-	-	1,397,347			
Total Assets and Deferred Outflows of Resources	\$ 335,668,096	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 2,578,623,230			

(continued on next page)

Supplemental Schedule of Net Position

As of June 30, 2024

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Liabilities					
Current Liabilities					
Bonds payable	\$ -	\$ 161,752,987	\$ 970,000	\$ 430,000	\$ 163,152,987
Accrued interest payable	-	13,385,353	63,263	39,116	13,487,732
Unearned revenue	17,000,000	-	-	-	17,000,000
Accounts payable and other liabilities	3,062,429	25,545	3,969	6,287	3,098,230
Multifamily escrows and reserves	1,249,466	-	-	-	1,249,466
Total Current Liabilities	21,311,895	175,163,885	1,037,232	475,403	197,988,415
Noncurrent Liabilities					
Bonds payable	-	1,640,631,890	10,881,412	19,330,000	1,670,843,302
Accounts payable and other liabilities	1,279,192	2,280,536	-	-	3,559,728
Unearned revenue	37,288,014	-	-	-	37,288,014
Hedging derivatives	-	393,892	-	-	393,892
Total Noncurrent Liabilities	38,567,206	1,643,306,318	10,881,412	19,330,000	1,712,084,936
Total Liabilities	59,879,101	1,818,470,203	11,918,644	19,805,403	1,910,073,351
Deferred Inflows of Resources					
Gain on refundings	-	8,467,162	-	-	8,467,162
Swaps	-	24,447,561	-	2,800,805	27,248,366
Related to pensions	795,264	-	-	-	795,264
Total Liabilities and Deferred Inflows of Resources	60,674,365	1,851,384,926	11,918,644	22,606,208	1,946,584,143
Net Position					
Net investment in capital assets	1,168,109	-	-	(2,436,969)	(1,268,860)
Restricted for pension benefits	617,864	-	-	-	617,864
Restricted by statute	176,879,403	-	-	-	176,879,403
Restricted by bond indentures	-	290,899,585	409,460	68,173,280	359,482,325
Restricted by HOME, HTF, NSP and HAF Program	96,328,355	-	-	-	96,328,355
Total Net Position	274,993,731	290,899,585	409,460	65,736,311	632,039,087
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 335,668,096	\$ 2,142,284,511	\$ 12,328,104	\$ 88,342,519	\$ 2,578,623,230

Supplemental Schedule of Operations and Changes in Net Position

For the Year Ended June 30, 2024

	General Operating Account		Homeownership Mortgage Bonds		Single Family Mortgage Bonds		Multiple Purpose Bonds		Combined Total
		\$		\$		\$		\$	
Operating Revenues									
Interest income on mortgage loans		57,887		4,952,796		662,788		696,117	6,369,588
Earnings - investments and program mortgage-backed securities		7,849,142		70,630,438		481,534		1,720,811	80,681,925
Net increase (decrease) in fair value of investments and program mortgage-backed securities		1,631,605		(9,670,667)		(42,858)		1,002,318	(7,079,602)
HUD contributions		51,193,634		-		-		-	51,193,634
U.S. Treasury contributions/COVID		16,708,872		-		-		-	16,708,872
Fee, grant and other income		11,253,237		-		-		49,224	11,302,461
Total Operating Revenues		88,694,377		65,912,567		1,101,464		3,468,470	159,176,878
Operating Expenses									
Interest		-		50,579,506		383,409		471,270	51,434,185
Housing assistance payments HUD		27,647,481		-		-		-	27,647,481
Housing assistance payments/COVID		16,708,872		-		-		-	16,708,872
Servicer fees		-		353,254		64,332		-	417,586
Arbitrage rebate expense (benefit)		-		2,031,081		-		(6,553)	2,024,528
General and administrative		7,627,940		344,389		1,500		189,437	8,163,266
Bond financing costs		-		5,688,741		100,000		70,000	5,858,741
Other housing programs		25,319,303		-		-		38,822	25,358,125
Provision for loan loss		6,513,890		180,103		63,446		-	6,757,439
Total Operating Expenses		83,817,486		59,177,074		612,687		762,976	144,370,223
Changes in Net Position Before Interfund Transfers		4,876,891		6,735,493		488,777		2,705,494	14,806,655
Interfund Transfers		8,112,904		(5,187,904)		75,000		(3,000,000)	-
Changes in Net Position		12,989,795		1,547,589		563,777		(294,506)	14,806,655
Net Position, Beginning of Fiscal Year		262,003,936		289,351,996		(154,317)		66,030,817	617,232,432
Net Position, End of Fiscal Year		\$ 274,993,731		\$ 290,899,585		\$ 409,460		\$ 65,736,311	\$ 632,039,087

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
2023 Series A	2/15/2023	various	\$ 43,162,435	\$ -	\$ 43,162,435
2023 Series D	10/4/2023	various	44,604,620	-	44,604,620
2023 Series G	12/13/2023	various	12,857,374	-	12,857,374
2023 J COB	12/13/2023	various	70,000,000	-	70,000,000
2024 Series A	4/24/2024	various	77,549,257	-	77,549,257
2024 Series B	4/24/2024	various	22,024,979	-	22,024,979
			<u>\$ 270,198,665</u>		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

Type of Home	Number of Homes
Single Family Detached	94.64%
Single Family Townhouse/Condominium	2.75%
Two-Four Unit	0.56%
Modular-Manufactured	2.05%
	<u>100.00%</u>

TABLE III

Outstanding Step Homeownership Mortgage Loans

Years Outstanding	Number	Principal Amount
1	-	\$ -
2	-	-
3	-	-
4	-	-
5 or more	156	4,951,684
Total	<u>156</u>	<u>\$ 4,951,684</u>

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	20	\$ 1,271,104	6.250%	10	407,268
3.850%	2	187,190	6.375%	1	76,192
4.125%	34	1,892,967	6.400%	18	309,249
4.250%	7	414,203	6.450%	3	57,442
4.375%	50	3,285,878	6.500%	103	1,960,297
4.500%	23	1,290,587	6.600%	-	-
4.600%	-	-	6.625%	2	104,838
4.625%	15	1,076,189	6.650%	13	213,923
4.750%	360	14,998,879	6.750%	12	119,825
4.850%	37	2,324,173	6.850%	10	167,225
4.870%	31	2,067,920	6.890%	4	42,980
4.950%	351	13,544,331	6.900%	8	133,447
5.000%	13	709,125	6.950%	21	482,188
5.125%	61	2,767,137	7.110%	22	318,674
5.150%	59	2,455,288	7.250%	17	102,344
5.250%	129	6,311,331	7.300%	4	54,102
5.375%	70	3,296,344	7.360%	2	15,999
5.425%	13	706,800	7.400%	6	125,072
5.450%	10	431,264	7.450%	3	55,565
5.500%	227	10,467,583	7.550%	3	71,657
5.625%	19	1,041,248	7.600%	4	26,922
5.750%	25	1,344,367	7.625%	-	-
5.850%	47	2,638,790	7.650%	1	27,857
5.950%	233	6,375,658	7.875%	-	-
6.000%	32	1,249,338	7.950%	5	25,621
6.125%	6	486,884	8.100%	-	-
6.150%	1	55,624			
				2,147	\$ 87,588,889

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor	Percent of Principal Amount
FHA	32.34%
VA	4.07%
USDA Rural Development	43.10%
Private Mortgage Insurance	
Mortgage Guaranty Insurance Company	0.15%
Genworth	0.01%
PMI	0.02%
United Guaranty Insurance	0.00%
CMG Mortgage Insurance Company	0.00%
Total PMI Insured Mortgage Loans	0.18%
Total Insured Mortgage Loans	79.69%
Uninsured	20.31%
Total All Mortgage Loans	100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
First Interstate	\$ 60,290,667
Bankwest	3,276,333
CorTrust Mortgage	18,240,509
First Bank & Trust	4,873,417
CU Mortgage	907,966
	\$ 87,588,892

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2024	As of 6/30/2023	As of 6/30/2024	As of 6/30/2023
31-60 Days (one payment) Delinquent	7.27%	4.89%	8.67%	4.07%
61-90 Days (two payments) Delinquent	0.51%	1.79%	0.36%	0.68%
91 Days or More (three or more payments) Delinquent	0.88%	0.85%	0.00%	0.34%
Total Delinquent	8.66%	7.53%	9.03%	5.09%
In Foreclosure	1.08%	0.98%	0.00%	0.00%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	\$ 2,130,300,172
Amount of Outstanding Homeownership Bonds	\$ 1,764,705,023
Parity Calculation	112.48%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 23,520,588
Amount of Outstanding Single Family Bonds	\$ 11,770,000
Parity Calculation	199.84%
Parity Requirement	100.00%
Value of Principal Assets of Multi-Purpose Program	\$ 24,881,767
Amount of Outstanding Multi-Purpose Bonds	\$ 19,760,000
Parity Calculation	125.92%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority

Homeownership Program	\$ 145,445,505
Single Family Program	\$ 674,219
Multi-Purpose Program	\$ 49,335,425

Table X

Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2024:

Development	Location	Number of Units	Twelve Month Occupancy Average (2)	Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans	
							Amount (3)	Interest Rate
Old Main	Canton	26	NA %	\$ 428,062	\$ -	- %	\$ -	%
Sagewood	Yankton	10	NA	227,825	-	-	-	-
South Sycamore Estates	Sioux Falls	16	83.9	695,690	124,274	0.00	-	-
Edmonton Heights	Gregory	16	89.1	524,000	-	-	121,159	3.00
Pheasant Valley Courtyard	Milbank	60	83.8	1,556,000	284,761	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	64.2	462,900	-	-	140,488	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)	91.4	3,094,600	-	-	313,217	2.50
Dakota Square	Aberdeen	55	NA	1,730,300	-	-	-	-
Majestic View Townhouses	Hot Springs	20	76.3	596,630	-	-	28,232	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	-	-	-	-
Sir Charles	Yankton	34	NA	1,184,200	-	-	-	-
Timberland	Lead	24	80.2	85,300	-	-	918,087	3.75-5.00
Collins Apts	Sioux Falls	23	NA	670,000	-	-	-	-
Baha Townhouses	Sioux Falls	21	NA	778,900	-	-	-	-
Hospitality Apts	Sioux Falls	22	NA	461,599	-	-	-	-
Whiting Court	Yankton	17	NA	601,284	-	-	-	-
Prairie West	Lemmon	24	NA	630,900	-	-	-	-
Sun Rise Apts	Aberdeen	27	NA	474,500	-	-	-	-
Cedar Apts	Brookings	32	NA	1,068,800	-	-	-	-
The Lidi II	Tyndall	10 (1)	NA	255,000	-	-	-	-
Gold Mountain Apt.	Lead	20	100.0	272,490	193,069	9.65	124,567	0.00
Calypso Court	Chamberlain	16	NA	550,000	-	-	-	-
Riverview Park	Sioux Falls	50	NA	1,873,700	-	-	-	-
Olive Grove Apts	Sioux Falls	19	NA	601,271	-	-	-	-
Sunnycrest	Sioux Falls	60	97.2	7,320,000	5,382,696	3.55 - 4.65	-	-
Sunnycrest	Sioux Falls	60	97.2	8,500,000	8,157,707	3.50	-	-
				<u>\$ 58,073,351</u>	<u>\$ 14,142,507</u>		<u>\$ 1,645,750</u>	

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

(2) Occupancy rate for the twelve month period ending June 30, 2024.

(3) Amounts are balances as of June 30, 2024.

Table XI

Outstanding Guaranteed Mortgage Securities as of June 30, 2024:

Pass Through Rate	Principal Amount	Pass Through Rate	Principal Amount
1.6750	166,664	4.6250	32,790
1.8000	890,226	4.6750	6,624,167
1.9250	8,708,671	4.7800	959,586
2.0000	45,111,787	4.7900	2,124,639
2.0250	529,298	4.8000	4,056,794
2.0300	99,312	4.9250	3,521,600
2.0500	504,509	5.0000	74,765,055
2.1750	14,425,185	5.0300	7,174,570
2.2500	1,862,426	5.0400	2,602,354
2.2750	1,079,623	5.0500	14,233,582
2.2800	300,719	5.1550	6,194,559
2.3000	23,056,497	5.1650	1,841,723
2.4250	26,345,391	5.1750	6,551,709
2.5000	232,908,214	5.2800	10,631,860
2.5250	1,169,973	5.2900	466,293
2.5300	55,451	5.3000	8,731,002
2.5500	13,657,793	5.4050	19,285,894
2.6250	294,770	5.4150	2,853,778
2.6500	348,699	5.4250	9,633,206
2.6750	14,584,380	5.5000	118,583,024
2.7500	792,858	5.5300	15,499,597
2.7750	806,020	5.5500	8,721,662
2.8000	11,757,557	5.6550	11,311,005
2.8750	45,263	5.6650	542,161
2.9000	191,010	5.6750	11,392,216
2.9250	17,997,171	5.7800	14,653,526
3.0000	125,643,800	5.8000	8,464,614
3.0250	2,734,024	5.9050	17,760,596
3.0500	9,991,876	5.9150	749,684
3.1250	43,106	5.9250	7,974,826
3.1500	725,254	6.0000	114,463,637
3.1750	5,786,560	6.0300	7,784,541
3.2500	262,368	6.0500	2,741,868
3.2750	2,042,998	6.1550	16,533,184
3.3000	9,020,870	6.1750	2,140,321
3.3750	114,408	6.2800	15,267,796
3.4000	29,021	6.2900	473,945
3.4250	5,482,897	6.3000	3,179,472
3.5000	58,011,367	6.4050	5,008,058
3.5250	1,239,233	6.4250	1,348,734
3.5500	12,730,898	6.5000	74,022,917
3.6500	688,377	6.5300	5,555,416
3.6750	4,860,952	6.5500	3,207,226
3.7750	1,046,640	6.6550	6,344,749
3.8000	2,537,455	6.6750	584,862
3.9000	47,046	6.7800	1,792,420
3.9250	4,161,830	6.8000	976,822
4.0000	37,266,702	6.9050	2,929,300
4.0500	1,133,428	7.0000	16,164,352
4.1750	9,429,057	7.0300	1,547,704
4.2750	90,630	7.0500	359,444
4.3000	3,685,318	7.1550	360,551
4.4250	11,372,975	7.1750	642,960
4.4500	57,136	7.2800	1,161,182
4.5000	22,043,017	7.4050	154,580
4.5500	3,476,902	7.5000	2,003,102
4.5750	44,058		
Total		\$ 1,438,176,885	



Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2024

South Dakota Housing Development Authority

South Dakota Housing Development Authority

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June 30, 2024

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**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the South Dakota Housing Development Authority (a component unit of the State of South Dakota) (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated October 11, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Aberdeen, South Dakota
October 11, 2024



CPAs & BUSINESS ADVISORS

**Independent Auditor’s Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

The Board of Commissioners
South Dakota Housing Development Authority
Pierre, South Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Dakota Housing Development Authority’s (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2024. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated October 11, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Aberdeen, South Dakota
October 11, 2024

South Dakota Housing Development Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Expenditures	Amounts Passed - Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>			
Direct Federal Funding:			
HOME Investment Partnerships Program	14.239	\$ 9,133,773	\$ 979,095
Section 8 Cluster:			
Project Based Rental Assistance	14.195	29,071,603	-
Project Rental Assistance Demonstration Program of Section 811 Supportive Housing for Persons with Disabilities	14.326	123,893	-
Emergency Solutions Grants Program	14.231	742,243	666,441
COVID-19 - Emergency Solutions Grants Program	14.231	1,558,662	1,309,768
Total for 14.231		<u>2,300,905</u>	<u>1,976,209</u>
Supportive Housing Program	14.267	298,400	-
Housing Counseling Assistance Program	14.169	132,821	132,821
National Housing Trust Fund (NHTF) Program	14.275	4,596,193	-
Youth Homelessness Demonstration Program	14.276	229,928	-
Total U.S. Department of Housing and Urban Development		<u>45,887,516</u>	<u>3,088,125</u>
<u>U.S. Department of Treasury</u>			
Direct Federal Funding:			
COVID-19 - Emergency Rental Assistance Program II	21.023	15,825,611	15,593,460
COVID-19 - Homeownership Assistance Fund	21.026	915,919	897,704
Passed through the State of South Dakota			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (1)	21.027	7,800,053	7,800,053
Total U.S. Department of Treasury		<u>24,541,583</u>	<u>24,291,217</u>
Total Federal Financial Assistance		<u>\$ 70,429,099</u>	<u>\$ 27,379,342</u>

(1) – Pass- through number was not provided.

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2024. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Authority.

Note B - Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

The Authority has not elected to use the 10% *de minimis* cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 - Emergency Rental Assistance Program	21.023
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
Emergency Solutions Grants Program	14.231
COVID - 19 - Emergency Solutions Grants Program	14.231
HOME Investment Partnerships Program	14.239
Dollar threshold used to distinguish between type A and type B programs:	\$ 2,112,873
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

2024-001 **U.S. Department of Housing and Urban Development**
FFAL # 14.231, 2020/2021/2022/2023 Award Year, Award Number: Not Provided
COVID-19 Emergency Solutions Grant Program (ESG – CV)
Emergency Solutions Grant Program (ESG)

Activities Allowed and Allowable Costs
Significant Deficiency in Internal Controls

Criteria: Uniform Guidance requires that payroll costs allocated to a program be based on actual time work based on proper support.

Condition: In three instances, the amount reimbursed to subrecipients were paid out based on the persons paycheck stub showing allocation of hours which did not match backup provided for hours worked under the program,

Cause: ESG employee used an amount that differed from the backup provided by subrecipient.

Effect: Payments were either overpaid or underpaid to subrecipients.

Questioned Costs: None reported as less than \$25,000.

Context/Sampling: We tested 49 of the 241 payments.

Repeat Finding from Prior Year(s): No

Recommendation: We recommend a review of the actual hours worked to ensure that proper amounts are reimbursed to the subrecipients.

Views of Responsible Officials: Management agrees with the finding.

2024-002 **U.S. Department of Housing and Urban Development**
FFAL # 14.231, 2020/2021/2022/2023 Award Year, Award Number: Not Provided
COVID-19 Emergency Solutions Grant Program (ESG – CV)
Emergency Solutions Grant Program (ESG)

Special Tests and Provisions - Obligation, Expenditure and Payment Requirements
Significant Deficiency in Internal Controls and Compliance

Criteria: Section 24 CFR Section 576.203 requires that the grant recipient must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient's complete payment request.

Condition: As part of our testing for the special tests and provisions compliance requirements, we selected a sample of 49 payments to subrecipients. Of the 49, eleven payments were made outside of the 30-day requirement.

Cause: During the processing of the requests for payments, the Authority had difficulties with information provided which caused additional timing in processing payments.

Effect: Subrecipients were not paid reimbursements in a timely manner as required.

Questioned Costs: None.

Context/Sampling: We tested 49 of the 241 payments.

Repeat Finding from Prior Year(s): No

Recommendation: The Authority should implement a control structure to track when payment requests are received and notify staff when they are close to the 30-day requirement. Also, we recommend that information for the last date of payment, including correspondence on issues that arise with the information provided, be documented and retained.

Views of Responsible Officials: Management agrees with the finding.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
June 30, 2024

Prepared by Management of
**South Dakota Housing
Development Authority**

Summary Schedule of Prior Audit Findings

Finding 2023-001

Federal Agency Name: U.S. Department of Treasury

Program Name and FALN # : FALN # 21.023 COVID-19 Emergency Rental Assistance Program (ERA)

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: One homebuyer payment was allocated to ERA instead of the Homeownership Assistance Fund (HAF). Homebuyers are not eligible for assistance under ERA.

Status: Resolved

Corrective Action Plan

Finding 2024-001

Federal Agency Name: U.S. Department of Housing and Urban Development

Program Name and FALN #: FALN # 14.231 COVID-19 Emergency Solutions Grant Program (ESG – CV) and Emergency Solutions Grant Program (ESG)

Finding Summary: In three instances, the amount reimbursed to subrecipients were paid out based on the persons paycheck stub showing allocation of hours which did not match backup provided for hours worked under the program,

Responsible Individuals: Denise Albertson, ESG Administrator
Amy Eldridge – Director of Rental Housing Development

Corrective Action Plan: The ESG Administrator will review the timesheet information to ensure the hours and amounts for payroll costs are correctly allocated by the subrecipient to the program. Any differences in the allocation between the timesheets and paycheck stubs will be reviewed prior to disbursements.

Anticipated Completion Date: September 30, 2024

Finding 2024-001

Federal Agency Name: U.S. Department of Housing and Urban Development

Program Name and FALN #: FALN # 14.231 COVID-19 Emergency Solutions Grant Program (ESG – CV) and Emergency Solutions Grant Program (ESG)

Finding Summary: For the special tests and provisions compliance requirement testing, of the 49 disbursements tested, eleven payments were made outside of the 30-day requirement.

Responsible Individuals: Denise Albertson, ESG Administrator
Amy Eldridge – Director of Rental Housing Development

Corrective Action Plan: The ESG Administrator will track the days between receipt and disbursement to be able to meet the 30-day requirement.

Anticipated Completion Date: September 30, 2024