

South Dakota Housing Development Authority

(A Component Unit of the State of South Dakota)
Financial Report
June 30, 2026 and 2025

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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, 2026 and 2025, 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 financial position of the South Dakota Housing Development Authority as of June 30, 2026 and 2025, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of South Dakota Housing Development Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 20 to the financial statements, the Authority has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* for the year ended June 30, 2026. Accordingly, a reclassification has been made to the financial statement line items as identified in Note 20 as of July 1, 2024. Our opinion is not modified with respect to this matter.

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 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, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises continuing disclosure Tables I through XI but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2026 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.

Eide Bailly LLP

Aberdeen, South Dakota

October 14, 2026

Management's Discussion and Analysis

June 30, 2026 and 2025 (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 year ended June 30, 2026 (FY 2026). 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.

Overview of the 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 the current year's revenues and expenses to measure the success of the Authority's operations over the past year. Operating revenues and expenses are revenues and expenses relating to the Authority's primary business of construction, preservation, rehabilitation, purchase, and development of affordable single family and multifamily housing. Nonoperating revenues and expenses are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues and expenses related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income and expenses.

Management's Discussion and Analysis

June 30, 2026 and 2025 (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.

Financial Summary

The following tables show the significant changes that have taken place over the past two fiscal years ended FY 2026 and FY 2025 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 2026	FY 2025	FY2024	% Change 2026/2025	% Change 2025/2024
Revenues:					
Interest on mortgages	\$ 6.0	\$ 5.7	\$ 6.4	5.3%	-10.9%
Investment income	124.8	103.7	80.7	20.3%	28.5%
Increase (decrease) in fair market value of investments and program MBS	25.4	38.9	(7.1)	-34.7%	647.9%
HUD contributions	40.2	41.8	51.2	-3.8%	-18.4%
U.S. Treasury contributions	18.7	33.4	16.7	-44.0%	100.0%
Other income	10.3	12.1	11.3	-14.9%	7.1%
Total revenues	225.4	235.6	159.2	-4.3%	48.0%
Expenses:					
Interest	97.3	69.2	51.4	40.6%	34.6%
Servicer fees	0.3	0.4	0.4	-25.0%	0.0%
General and administrative	9.8	8.4	8.2	16.7%	2.4%
HUD housing assistance payments	32.4	29.9	27.6	8.4%	8.3%
U.S. Treasury housing assistance payments	18.7	33.4	16.7	-44.0%	100.0%
Other	31.9	61.3	40.1	-48.0%	52.9%
Total expenses	190.4	202.6	144.4	-6.0%	40.3%
Change in net position	\$ 35.0	\$ 33.0	\$ 14.8	6.1%	123.0%

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

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

(In Millions of Dollars)

	FY 2026	FY 2025	FY 2024	% Change 2026/2025	% Change 2025/2024
Assets:					
Cash and equivalents	\$ 457.6	\$ 650.3	\$ 559.5	-29.6%	16.2%
Investments	2,389.6	2,003.5	1,627.0	19.3%	23.1%
Mortgages	288.7	284.2	284.6	1.6%	-0.1%
Line of credit receivable	47.2	68.5	53.2	-31.1%	28.8%
Interest receivable	11.3	10.2	8.6	10.8%	18.6%
Capital assets	4.3	4.6	4.4	-6.5%	4.5%
Other	35.1	32.1	37.6	9.3%	-14.6%
Total assets	3,233.8	3,053.4	2,574.9	5.9%	18.6%
Deferred Outflows of Resources					
Deferred loss on refunding	1.7	1.8	1.9	-5.6%	-5.3%
Deferred swap outflow	0.1	0.6	0.4	-83.3%	50.0%
Deferred outflow related to pension	1.6	1.4	1.4	14.3%	0.0%
Total assets and deferred outflows	\$ 3,237.2	\$ 3,057.2	\$ 2,578.6	5.9%	18.6%
Liabilities:					
Current bonds payable	\$ 135.6	\$ 66.2	\$ 163.2	104.8%	-59.4%
Interest payable	19.3	13.2	13.5	46.2%	-2.2%
Fair value of hedging derivatives	0.1	0.6	0.4	-83.3%	50.0%
Other	6.9	7.7	7.8	-10.4%	-1.3%
Unearned revenue	57.1	56.3	54.3	1.4%	3.7%
Noncurrent bonds payable	2,282.6	2,216.7	1,670.8	3.0%	32.7%
Total liabilities	2,501.6	2,360.7	1,910.0	6.0%	23.6%
Deferred Inflows of Resources					
Deferred gain on refunding inflow	10.0	8.0	8.5	25.0%	-5.9%
Deferred swap inflow	24.7	22.5	27.3	9.8%	-17.6%
Deferred inflow related to pension	0.8	0.9	0.8	-11.1%	12.5%
Total liabilities and deferred inflows	2,537.1	2,392.1	1,946.6	6.1%	22.9%
Net Position:					
Net investment in capital assets	(1.1)	(1.0)	(1.3)	-10.0%	23.1%
Restricted by state statute	157.1	164.6	176.9	-4.6%	-7.0%
Restricted for pension benefits	0.8	0.5	0.6	60.0%	-16.7%
Restricted by bond indentures	440.3	401.7	359.5	9.6%	11.7%
Restricted by HOME, HTF, NSP, HAF programs	103.0	99.3	96.3	3.7%	3.1%
Total net position	700.1	665.1	632.0	5.3%	5.2%
Total liabilities, deferred inflows, and net position	\$ 3,237.2	\$ 3,057.2	\$ 2,578.6	5.9%	18.6%

(continued on next page)

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

Detailed Analysis

Financial Highlights for FY 2026

- Total revenues decreased 4.3% to \$225.4 million for FY 2026, from \$235.6 million for FY 2025. The main factor contributing to this decrease in revenue was the \$13.5 million reduction in market value adjustment.
- Total expenses decreased 6.0% to \$190.4 million for FY 2026, from \$202.6 million for FY 2025. Contributing to the decrease in expenses was the reduction of loans for the Housing Assistance Fund program and the closing of two COVID-related programs.
- Net position of the Authority for FY 2026 was \$700.1 million, which represented an increase of \$35.0 million, or 5.3%, from the FY 2025 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$288.7 million at the end of FY 2026, which represented an increase of \$4.5 million, or 1.6%, for FY 2026 from the FY 2025 level of \$284.2 million. In the last half of FY 2025, 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 there was an increase in FY 2026 is because the number of housing infrastructure fund loans created outpaced the homeownership loan runoff.
- Investments were \$2,389.6 million at the end of FY 2026, which represented an increase of \$386.1 million, or 19.3%, from the FY 2025 total of \$2,003.5 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 \$47.2 million at the end of FY 2026 and \$68.5 million at the end of FY 2025.
- Interest income on mortgage loans was \$6.0 million for FY 2026, which represented an increase of \$0.3 million from the \$5.7 million for FY 2025. The homeownership loan balance continued to decrease in FY 2026, but the Community Housing Development Program interest payments outpaced the runoff for a \$0.3 million gain.
- Investment income was \$124.8 million for FY 2026, which represented an increase of \$21.1 million, or 20.3%, in FY 2026 from \$103.7 million for FY 2025 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 increased by \$25.4 million in FY 2026 and increased by \$38.9 million in FY 2025. The FY 2026 fair market increase was a result of the interest rates falling from their peak in FY 2024. Ignoring the effects of the net increase in fair market value of investments, the change in net position would have been an increase of \$9.6 million for FY 2026 compared to a decrease of \$5.9 million for FY 2025.

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

- Deferred outflows of resources from interest rate swaps at the end of FY 2026 decreased by \$0.5 million from the FY 2025 level of \$0.6 million. Deferred inflows of resources from interest rate swaps at the end of FY 2026 increased to \$24.7 million from \$22.5 million at the end of FY 2025, or 9.8%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$2,418.2 million for FY 2026, which was an increase of \$135.3 million, or 5.9%, in FY 2026 from \$2,282.9 million for FY 2025 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$57.1 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2026, and \$1.7 million for the Governor's House Program. This is an increase of \$0.8 million, or 1.4%, from FY 2025. The increase was due to interest income on the unused U.S. Treasury funds.
- Interest expense on bonds and notes outstanding increased \$28.1 million, or 40.6%, in FY 2026 from \$69.2 million in FY 2025 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$6.0 million from the Homeownership Mortgage Loan Program and \$1.5 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. The Multiple Purpose Bond transfer of \$1.5 million was to fund the Housing Opportunity Fund.

Financial Highlights for FY 2025

- Total revenues increased 48.0% to \$235.6 million for FY 2025, from \$159.2 million for FY 2024. The main factors contributing to this increase were an additional \$23.0 million in investment income, and a \$46.0 million increase in market value adjustment.
- Total expenses increased 40.3% to \$202.6 million for FY 2025, from \$144.4 million for FY 2024. The primary components of the increase were an additional \$17.8 million in interest expense, \$11.4 million distributed for the Grant for Graduates program and housing grants for the Housing Infrastructure program.
- Net position of the Authority for FY 2025 was \$665.1 million, which represented an increase of \$33.0 million, or 5.2%, from the FY 2024 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$284.2 million at the end of FY 2025, which represented a decrease of \$0.4 million, or 0.1%, for FY 2025 from the FY 2024 level of \$284.6 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.

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

- Investments were \$2,003.5 million at the end of FY 2025, which represented an increase of \$376.5 million, or 23.1%, from the FY 2024 total of \$1,627.0 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 \$68.5 million at the end of FY 2025 and \$53.2 million at the end of FY 2024.
- Interest income on mortgage loans was \$5.7 million for FY 2025, which represented a decrease of \$0.7 million from the \$6.4 million reported in FY 2024. As the homeownership loan balance continues to decrease, so will the interest income on loans.
- Investment income was \$103.7 million for FY 2025, which represented an increase of \$23.0 million, or 28.5%, in FY 2025 from \$80.7 million for FY 2024 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 increased by \$38.9 million in FY 2025 and decreased by \$7.1 million in FY 2024. The FY 2025 fair market increase was a result of the interest rates falling during the fiscal year. Ignoring the effects of the net increase in fair market value of investments, the change in net position would have been a decrease of \$5.9 million for FY 2025 compared to an increase of \$21.9 million for FY 2024.
- Deferred outflows of resources from interest rate swaps at the end of FY 2025 increased by \$0.2 million from the FY 2024 level of \$0.4 million. Deferred inflows of resources from interest rate swaps at the end of FY 2025 decreased to \$22.5 million from \$27.3 million at the end of FY 2024, or 17.6%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$2,282.9 million for FY 2025, which was an increase of \$448.9 million, or 24.5%, in FY 2025 from \$1,834.0 million in FY 2024 due to more bonds being issued than being redeemed or maturing.
- Unearned revenue consists of \$54.6 million of funds received from the U.S. Treasury to fund COVID-related programs that have not been spent as of June 30, 2025, and \$1.7 million for the Governor's House Program. This is an increase of \$2.0 million, or 3.7%, from FY 2024. The increase was due to interest income on the unused U.S. Treasury funds and a large prepayment for the Governor's House Program.
- Interest expense on bonds and notes outstanding increased \$17.8 million, or 34.6%, in FY 2025 from \$51.4 million in FY 2024 due to a higher outstanding bond balance and a higher weighted average interest rate on the bonds.
- The Authority performed an operating transfer of \$6.6 million from the Homeownership Mortgage Loan Program and \$1.5 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. The Multiple Purpose Bond transfer of \$1.5 million was to fund the Housing Opportunity Fund.

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

Loan Portfolio Activity for FY 2026 and FY 2025

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 \$520 million of MBSs during FY 2026 compared to \$586 million in FY 2025. The reason for the decline in loan production in FY 2026 was most likely due to the end of the Grant for Grads program in early FY 2026, which was a down payment assistance grant versus the currently available down payment assistance loan.

The Homeownership Mortgage Loan Program purchased approximately \$586 million of MBSs during FY 2025 compared to \$500 million in FY 2024.

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 2026, the Authority had \$2,418.2 million in bonds outstanding, a 5.9% increase from FY 2025. As of FY 2025, the Authority had \$2,282.9 million in bonds outstanding, a 24.5% increase from FY 2024.

The Authority retired or paid at maturity a total of \$166.6 million in bonds in FY 2026. \$99.6 million was redeemed from refundings, prepayments, and excess reserves and \$67.0 million was maturing principal. The Authority retired or paid at maturity a total of \$217.2 million in bonds in FY 2025. \$78.1 million was redeemed from refundings, prepayments, and excess reserves and \$139.1 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2026 and FY 2025 and rated Aaa by Moody's Investors Service in FY 2026 and FY 2025. In FY 2026 and FY 2025, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. The Authority's Single Family Mortgage Bonds were rated Aa2 by Moody's Investors Service in FY 2026 and FY 2025. 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.

Management's Discussion and Analysis

June 30, 2026 and 2025 (Unaudited)

Capital Assets

Capital assets decreased by \$0.3 million in FY 2026 from \$4.6 million in FY 2025. This net change is due to the depreciation of capital assets.

Capital assets increased by \$0.2 million in FY 2025 from \$4.4 million in FY 2024. This net change is due to the purchase of capital assets.

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

Currently Known Facts, Decisions, or Conditions

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 100.0% funded. The State's foreclosure rate of 0.67%, delinquency rate of 3.54%, and a steady unemployment rate (currently 2.0%) are well below the national averages. These percentages, along with stable to rising home prices, have all contributed to the success of the Authority over the past five years. Going forward, the Authority will try to maximize its return on investments and will continue to look for innovative ways to finance the Authority's Single and Multifamily programs.

Overview

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

Statements of Net Position

As of June 30

Assets	2026	2025
Current Assets		
Cash and cash equivalents (Note 3)	\$ 457,598,149	\$ 650,311,204
Investment securities - other (Note 3)	3,026,870	7,037,579
Investments - program mortgage-backed securities (Note 3)	354,168,428	301,202,580
Mortgage loans receivable, net (Note 4)	30,883,768	35,968,937
Interest receivable	11,315,214	10,194,329
Other receivables	3,669,916	2,429,904
Other assets	4,588,299	5,004,495
Hedging derivatives (Note 9)	55,382	-
Total Current Assets	865,306,026	1,012,149,028
Noncurrent Assets		
Investment securities - other (Note 3)	261,940,462	189,558,945
Investments - program mortgage-backed securities (Note 3)	1,770,417,223	1,505,651,529
Mortgage loans receivable, net (Note 4)	257,834,960	248,232,086
Line of credit receivable (Note 5)	47,178,313	68,537,154
Other receivables	2,128,900	2,195,073
Hedging derivatives (Note 9)	24,697,017	22,518,006
Capital assets, at cost, less accumulated depreciation (Note 17)	4,296,087	4,555,767
Total Noncurrent Assets	2,368,492,962	2,041,248,560
Total Assets	3,233,798,988	3,053,397,588
Deferred Outflows of Resources		
Loss on refundings	1,642,212	1,777,521
Forward contracts (Note 9)	31,132	-
Swaps (Note 9)	103,033	611,238
Related to pensions (Note 14)	1,624,643	1,381,596
Total Assets and Deferred Outflows of Resources	\$ 3,237,200,008	\$ 3,057,167,943
Liabilities		
Current Liabilities		
Bonds payable (Note 6)	\$ 135,552,497	\$ 66,178,480
Accrued interest payable	19,325,573	13,231,251
Unearned revenue	2,091,951	4,095,130
Accounts payable and other liabilities (Note 18)	2,497,382	3,020,317
Multifamily escrows and reserves	776,067	823,723
Hedging derivatives (Note 9)	31,132	-
Total Current Liabilities	160,274,602	87,348,901
Noncurrent Liabilities		
Bonds payable (Note 6)	2,282,624,465	2,216,688,823
Unearned revenue	55,028,159	52,187,586
Accounts payable and other liabilities (Note 18)	3,593,266	3,901,888
Hedging derivatives (Note 9)	103,033	611,238
Total Noncurrent Liabilities	2,341,348,923	2,273,389,535
Total Liabilities	2,501,623,525	2,360,738,436
Deferred Inflows of Resources		
Forward contracts (Note 9)	55,382	-
Gain on refundings	9,929,079	7,936,156
Swaps (Note 9)	24,697,017	22,518,006
Related to pensions (Note 14)	834,235	920,397
Total Liabilities and Deferred Inflows of Resources	2,537,139,238	2,392,112,995
Net Position		
Net investment in capital assets	(1,148,913)	(999,233)
Restricted for pension benefits	806,030	468,342
Restricted by state statute	157,077,397	164,585,636
Restricted by bond indentures	440,296,929	401,684,414
Restricted by HOME, HTF, NSP, and HAF Program	103,029,327	99,315,789
Total Net Position	700,060,770	665,054,948
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 3,237,200,008	\$ 3,057,167,943

See Notes to Financial Statements

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

For the Years Ended June 30

	2026	2025 (Restated)
Operating Revenues		
Interest income on mortgage loans	\$ 6,024,326	\$ 5,701,836
Fee, grant and other income	9,082,993	10,070,590
Total Operating Revenues	15,107,319	15,772,426
Operating Expenses		
Servicer fees	(311,745)	(361,518)
General and administrative	(9,813,387)	(8,392,566)
Other housing programs	(11,162,880)	(21,681,818)
Provision for loan loss	(3,614,293)	(6,596,794)
Total Operating Expenses	(24,902,305)	(37,032,696)
Operating Income (Loss)	(9,794,986)	(21,260,270)
Noncapital Subsidies		
HUD contributions	40,147,364	41,763,618
U.S. Treasury contributions/COVID	18,745,101	33,415,608
Housing opportunity funds from the State	1,247,910	2,066,600
Housing assistance payments HUD	(31,137,404)	(29,855,780)
Housing assistance payments/COVID	(18,745,101)	(33,415,608)
Housing assistance payments from the State	(13,609,012)	(24,666,193)
Other HUD programs	(1,248,459)	(880,043)
Total Noncapital Subsidies	(4,599,601)	(11,571,798)
Operating Income (Loss) and Noncapital Subsidies	(14,394,587)	(32,832,068)
Other Nonoperating Revenues and Expenses		
Earnings - investments and program mortgage-backed securities	124,799,087	103,721,732
Net increase (decrease) in fair value of investments and program mortgage-backed securities	25,345,568	38,902,085
Interest expense	(97,281,890)	(69,188,843)
Arbitrage rebate (expense) benefit	143,754	(512,942)
Bond financing costs	(3,606,110)	(7,074,103)
Total Other Nonoperating Revenues and Expenses	49,400,409	65,847,929
Increase (Decrease) in Fund Net Position	35,005,822	33,015,861
Net Position, Beginning of Fiscal Year	665,054,948	632,039,087
Net Position, End of Fiscal Year	\$ 700,060,770	\$ 665,054,948

Statements of Cash Flows

For the Years Ended June 30

	2026	2025 (Restated)
Cash Flows Provided by (Used in) Operating Activities		
Receipts from loan payments and program mortgage-backed securities	\$ 41,689,094	\$ 6,998,652
Receipts for program fees	7,917,632	8,946,852
Payments for loan programs and program mortgage-backed securities	(22,317,228)	(22,693,924)
Payments for operating expenses	(6,235,377)	(3,614,153)
Payments to employees	(6,152,365)	(6,776,830)
Payments for other housing programs	(8,931,794)	(18,352,508)
Net Cash Provided by (Used in) Operating Activities	5,969,962	(35,491,911)
Cash Flows Provided by (Used in) Noncapital Financing Activities		
Proceeds from sale of bonds	308,091,441	669,927,694
Receipts from federal housing programs	40,147,364	43,262,342
Receipts for U.S. Treasury Housing Assistance/COVID	19,582,495	35,410,310
Receipts for State Funded Programs	1,247,910	2,066,600
Principal paid on bonds	(166,553,602)	(217,103,380)
Interest paid on bonds and swaps	(95,035,189)	(74,483,250)
Payments for federal housing programs	(32,385,863)	(30,735,823)
Payments for U.S. Treasury Housing Assistance/COVID	(18,745,101)	(33,415,608)
Payments for State Funded Programs	(13,609,012)	(24,666,193)
Bond issuance costs paid	(3,639,105)	(6,588,486)
Arbitrage Payment	(183,233)	-
Net Cash Provided by Noncapital Financing Activities	38,918,105	363,674,206
Cash Flows Provided by (Used in) Capital and Related Financing Activities		
Purchase of capital fixed assets	(182,515)	(598,280)
Proceeds from sale of assets	-	19,012
Principal paid on bonds	(110,000)	(105,000)
Interest paid on capital debt	(142,327)	(192,931)
Net Cash Used in Capital and Related Financing Activities	(434,842)	(877,199)
Cash Flows Provided by (Used in) Investing Activities		
Purchase of investment securities	(564,725,999)	(589,023,417)
Proceeds from sale and maturities of investment securities	204,381,838	250,491,879
Interest received on investments	123,177,881	102,040,498
Net Cash Used in Investing Activities	(237,166,280)	(236,491,040)
Change in Cash and Cash Equivalents	(192,713,055)	90,814,056
Cash and Cash Equivalents, Beginning of Year	650,311,204	559,497,148
Cash and Cash Equivalents, End of Year	\$ 457,598,149	\$ 650,311,204
Reconciliation of Operating Income (Loss) to Cash Flows Provided by (Used in) Operating Activities		
Operating income (loss)	\$ (9,794,986)	\$ (21,260,270)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Provision for loan loss	3,614,293	6,596,794
Depreciation	442,195	428,760
Gain on sale of fixed assets	-	(19,012)
Changes in assets and liabilities:		
Loan interest receivable	120,697	57,525
Accounts payable and other liabilities	(504,571)	(248,695)
Mortgage loans receivable	(8,131,998)	(6,121,066)
Line of credit receivable	21,358,841	(15,333,567)
Other receivables	(1,165,361)	(1,104,726)
Other assets	416,196	1,782,959
Related to pensions	(337,688)	155,130
Multifamily escrows and reserves	(47,656)	(425,743)
Net Cash Provided by (Used in) Operating Activities	\$ 5,969,962	\$ (35,491,911)

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 \$397,625,000 for 2026. 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.

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.

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 judgment.

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.

Bond Premiums, Discounts and Gains/Losses on Refunding:

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 Statements 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 Statements 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 one type of derivative outstanding, which is an effective hedge, therefore, having no effect on net position: interest rate swaps.

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.

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 (\$2,472,779) and (\$2,799,766) at June 30, 2026 and 2025, 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 and expenses derived from mortgages, fees and sales as operating items. Nonoperating revenues and expenses consist of subsidies, financing-related activity, investment activity and capital asset activity.

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.

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.

Compensated Absences:

All full-time and permanent part-time employees earn vacation leave and sick leave. All full-time employees with less than 7 years of employment with the Authority shall accrue 120 hours of vacation leave for each full year of employment not to exceed an accumulation of 240 hours. All full-time employees with 7 years but less than 15 years of employment with the Authority shall accrue 160 hours of vacation leave for each full year of employment not to exceed an accumulation of 320 hours. All full-time employees with 15 years or more of employment with the Authority shall accrue 200 hours of vacation leave for each full year of employment not to exceed an accumulation of 400 hours. Upon termination, employees receive payment for their accumulated vacation leave. Employees earn fourteen days of sick leave per year. Unless dismissed for cause, employees who terminate after seven years of continuous employment receive payment for one-fourth of their accumulated sick leave balance, not to exceed four hundred eighty hours. A liability has been recorded in the financial statements for these compensated absences in accordance with GASB statements.

Unearned Revenue:

Consists of advance payments from customers before the delivery of goods or services. Also consists of grant funds received that are unobligated. Revenue is recognized when performance obligations are satisfied.

Adoption of New Standards:

As of July 1, 2024, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This Statement enhances the clarity and consistency of financial reporting requirements related to the following areas: 1) Management's discussion and analysis, 2) Proprietary fund reporting, 3) Unusual or infrequent items, and 4) Budgetary comparison schedules. GASB 103 is required to be reported as a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*.

As a result of implementing GASB Statement No. 103, earnings on investments and program mortgage-backed securities, net increase/decrease in the fair value of investments and program-mortgage back securities, interest expense, arbitrage rebate expense/benefit, and bond financing costs were previously reported as operating revenues/expenses and now are presented as nonoperating revenues/expenses. HUD and Treasury contributions, grant funds from the State, and payments for housing assistance and other HUD programs were previously reported as operating revenues/expenses and now are presented as noncapital subsidies. Comparative information has been reclassified, where applicable, to conform to the current-year presentation (see Note 20). The implementation of GASB Statement No. 103 had no effect on beginning net position, change in net position, or ending net position.

As of July 1, 2024, the Authority adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The implementation of this standard establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures and establishes for capital assets held for sale, including additional disclosures for those capital assets. There was not a significant effect on the Authority's financial statements as a result of the implementation of this standard.

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.

The Authority's net position, other than the net investment in capital assets, is all considered restricted as of June 30, 2026 and 2025, and all expenses incurred are for restricted purposes.

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, 2026 and 2025, 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 that 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, 2026 and 2025, of the Authority's deposits of \$91,037,235 (carrying value of \$90,685,253) and \$85,070,354 (carrying value of \$83,492,354), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy. The \$110,709,791 and \$129,809,941 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2026 and 2025, respectively, is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

Investments:

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

Interest Rate Risk: The Authority limits the maturities of investments for its restricted accounts. Investments of the capital reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related series of the bonds. The average duration of individual securities will not exceed twenty years. Investments of the mortgage reserve accounts must provide for the purposes thereof as estimated by the Authority. The duration of 50% of individual securities will not exceed two years from the date of purchase or deposit. The Authority assumes that its callable investments will not be called. The Authority invests in mortgage pass-through securities issued by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, the securities are considered highly sensitive to interest rate risk. As of June 30, 2026 and 2025, 88% and 79%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

Notes to Financial Statements

As of June 30, 2026 and 2025, the Authority had investments maturing as follows:

	2026 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 66,089,570	\$ 2,476,826	\$ 48,038,521	\$ 15,246,038	\$ 328,185
U.S. Agency obligations	2,316,502,949	367,813	25,151,459	5,696,583	2,285,287,094
Money market/mutual funds	256,203,107	256,203,107	-	-	-
Corporate-backed obligations	4,579,445	-	491,653	2,789,578	1,298,214
State obligations	2,381,019	182,231	2,198,788	-	-
Total	\$ 2,645,756,090	\$ 259,229,977	\$ 75,880,421	\$ 23,732,199	\$ 2,286,913,493

	2025 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 66,285,320	\$ 2,144,987	\$ 47,072,563	\$ 16,740,395	\$ 327,375
U.S. Agency obligations	1,929,861,813	3,444,323	19,201,524	7,476,171	1,899,739,795
Money market/mutual funds	437,008,909	437,008,909	-	-	-
Corporate-backed obligations	2,471,755	-	109,157	1,189,358	1,173,240
State obligations	4,831,745	1,448,269	2,341,706	1,041,770	-
Total	\$ 2,440,459,542	\$ 444,046,488	\$ 68,724,950	\$ 26,447,694	\$ 1,901,240,410

At June 30, 2026 and 2025, certain cash equivalents and investments in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2026		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 69,860,641	\$ -	\$ 868,960
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,234,641	-	-
Debt service reserve	-	233,850	-
Total	\$ 71,095,282	\$ 233,850	\$ 868,960

	2025		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 65,944,699	\$ -	\$ 868,960
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	1,469,505	-	-
Debt service reserve	-	286,200	-
Total	\$ 67,414,204	\$ 286,200	\$ 868,960

Notes to Financial Statements

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	2026		2025	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 256,203,107	9.7%	\$ 437,008,909	17.9%
Corporate-backed obligations	NR	4,579,445	0.2%	2,471,754	0.1%
U.S. Gov't agency securities	AA1	-	0.0%	3,334,078	0.1%
U.S. Treasury securities	AA1	66,089,570	2.5%	66,285,320	2.7%
State and municipal securities	NR-AA3	2,381,019	0.1%	4,831,746	0.2%
Mortgage-backed securities:					
GNMA	NR	1,364,011,608	51.6%	1,150,631,764	47.1%
FNMA	NR	938,355,840	35.5%	760,736,583	31.2%
FHLMC	NR	14,135,501	0.5%	15,159,388	0.6%
		<u>\$ 2,645,756,090</u>	<u>100.0%</u>	<u>\$ 2,440,459,542</u>	<u>100.0%</u>

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Notes to Financial Statements

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consists of the following:

	<u>2026</u>	<u>2025</u>
Homeownership Mortgage Loans	\$ 120,782,107	\$ 127,058,537
Single Family Mortgage Loans	10,971,621	12,046,846
Multiple Purpose Loans	33,145,935	32,328,733
Other (General Operating Account)	123,819,065	112,766,907
Total	<u>\$ 288,718,728</u>	<u>\$ 284,201,023</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 \$1,277,000 and \$1,203,407 as of June 30, 2026 and 2025, respectively.

Some loans receivable contain provisions for the loans to become grants if certain criteria are 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 \$37,912,149 and \$35,965,388 as of June 30, 2026 and 2025, 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, 2026 and 2025, is \$72,366 and \$49,609, 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, 2026. As of June 30, 2026 and 2025, the balance of this line of credit receivable was \$47,178,313 and \$68,537,154, 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	2026			2025 Total Outstanding
			Serial	Term (1)	Total Outstanding	
2013 Series C	2030-2033	3.55%	\$ -	\$ 2,955	\$ 2,955	\$ 4,110
2013 Series D	2043	3.25%-4.0%	-	7,788	7,788	8,792
2014 Series C	2025	3.45%	-	-	-	775
2014 Series D	2026-2028	3.15%	-	1,015	1,015	3,445
2014 Series F	2025	3.60%	-	-	-	980
2015 Series A	2025	2.75%	-	-	-	1,230
2015 Series C	2045	4.04%	-	30,000	30,000	30,000
2015 Series D	2025-2045	2.75%-4.0%	-	-	-	285
2015 Series E	2027-2037	2.680% (2)	-	24,155 (3)	24,155	25,000
2016 Series A	2026-2035	2.70%-3.45%	3,280	30	3,310	5,470
2016 Series B	2026-2046	2.30%-3.5%	2,265	9,500	11,765	13,760
2016 Series C	2025	2.45%	-	-	-	180
2016 Series D	2037-2046	3.50%	-	440	440	3,035
2017 Series A	2026-2037	3.06%-3.492%	2,935	160	3,095	4,655
2017 Series B	2026-2047	2.65%-4.0%	11,065	22,645	33,710	41,160
2017 Series C	2037-2039	4.00%	-	380	380	1,340
2017 Series D	2026-2047	2.45%-4.0%	8,330	19,320	27,650	35,035
2017 Series E	2026-2039	2.95%-4.0%	790	405	1,195	5,270
2017 Series F	2027-2030	2.6%-2.95%	12,065	-	12,065	12,065
2018 Series A	2026-2048	3.00%-4.0%	8,320	3,635	11,955	17,785
2018 Series B	2026-2048	3.10%-4.5%	7,545	6,155	13,700	19,780
2019 Series A	2026-2049	2.55%-4.0%	14,405	10,475	24,880	31,280
2019 Series B	2026-2049	1.65%-4.0%	19,515	25,050	44,565	51,495
2020 Series A	2026-2050	1.55%-3.75%	14,100	10,540	24,640	31,825
2020 Series B	2031-2041	2.62% (2)	-	33,000	33,000	33,000
2020 Series C	2026-2051	1.00%-3.50%	18,175	13,535	31,710	39,055
2020 Series D	2033-2043	2.68% (2)	-	33,000	33,000	33,000
2021 Series A	2026-2051	0.60%-3.0%	21,260	46,355	67,615	75,440
2021 Series B	2026-2051	0.75%-3.0%	23,355	59,520	82,875	93,215
2021 Series C	2026-2030	1.208%-2.019%	11,125	-	11,125	13,385
2022 Series A	2026-2027	1.20%-5.0%	5,015	-	5,015	8,250
2022 Series B	2028-2052	1.4%-5.0%	25,530	56,995	82,525	88,960
2022 Series C	2026-2053	3.05%-5.0%	18,780	29,690	48,470	56,090
2022 Series D	2038-2046	2.67% (2)	-	33,000	33,000	33,000
2022 Series E	2026-2053	4.91%-5.796%	5,910	18,620	24,530	28,250
2022 Series F	2038-2046	3.75% (2)	-	17,000	17,000	17,000
2023 Series A	2026-2054	2.80%-6.0%	19,775	66,770	86,545	93,135
2023 Series B	2026-2053	4.17%-5.13%	10,475	26,610	37,085	41,955
2023 Series C	2039-2047	3.75% (2)	-	23,000	23,000	23,000
2023 Series D	2026-2054	3.50%-6.0%	19,235	71,190	90,425	95,755
2023 Series E	2026-2054	5.373%-6.25%	8,530	34,205	42,735	47,145
2023 Series F	2039-2048	3.73% (2)	-	25,000	25,000	25,000
2023 Series G	2026-2055	3.75%-6.25%	18,890	78,815	97,705	102,580
2023 Series H	2026-2054	5.43%-6.266%	7,560	27,415	34,975	38,170
2023 Series I	2040-2048	3.75% (2)	-	20,000	20,000	20,000
2024 Series A	2044-2055	4.45%-6.25%	-	94,420	94,420	98,180
2024 Series B	2026-2039	5.097%-5.430%	-	46,125	46,125	48,170
2024 Series C	2029-2055	3.30%-6.25%	4,785	191,355	196,140	199,670
2024 Series D	2026-2036	4.188%-4.999%	46,165	-	46,165	50,000
2025 Series A	2029-2055	3.350%-6.50%	9,380	148,520	157,900	159,000
2025 Series B	2026-2036	4.59%-5.5630%	38,700	-	38,700	40,000
2025 Series C	2036-2056	4.50%-6.250%	5,240	119,435	124,675	125,000
2025 Series D	2026-2055	4.414%-6.114%	28,510	44,540	73,050	74,000
2025 Series E	2029-2056	2.80%-6.25%	2,460	77,455	79,915	-
2025 Series F	2026-2037	3.756%-5.219%	30,000	-	30,000	-
2025 Series G	2044-2050	3.05% (2)	-	40,000	40,000	-
2026 Series A	2030-2056	2.80%-6.00%	11,520	108,480	120,000	-
2026 Series B	2027-2036	3.577%-4.971%	25,000	-	25,000	-
Total					2,278,688	2,148,157
2016 Series E	2029-2037	3.02% (2)	-	50,000	50,000	50,000
Total Direct Placements					50,000	50,000
Plus unamortized premium					62,985	56,007
Less unamortized discount					(214)	(226)
Total Homeownership Mortgage Program Bonds					\$ 2,391,459	\$ 2,253,938

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

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

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

(continued on next page)

Notes to Financial Statements

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

Bond Issue	Maturity Date	Interest Rate	2026		Total Outstanding	2025 Total Outstanding
			Serial	Term (1)		
2016-1	2026-2041	2.834%-3.50%	\$ 1,775	\$ 6,020	\$ 7,795	\$ 9,540
Total					7,795	9,540
Plus unamortized premium					43	59
Total Single Family Mortgage Bonds					\$ 7,838	\$ 9,599
(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	2026		Total Outstanding	2025 Total Outstanding
			Serial	Term (1)		
2009 Series A	2026-2048	1.72% (2)	\$ -	\$ 5,445	\$ 5,445	\$ 5,555
2013 Series A	2028	3.65%	-	150	150	150
2020 Series A	2026-2062	2.67% (2)	-	13,285	13,285	13,625
Total Multiple Purpose Bonds					\$ 18,880	\$ 19,330
(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.						
(2) Variable rate adjusted weekly based on the current market rate for similar tax-exempt bonds.						
Total Bonds Outstanding					\$ 2,418,177	\$ 2,282,867

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2026 and 2025:

	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 2,148,156,646	\$ 295,000,001	\$ 164,468,603	\$ 2,278,688,044	\$ 133,867,497
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	9,540,000	-	1,745,000	7,795,000	1,225,000
Multiple Purpose Bonds	19,330,000	-	450,000	18,880,000	460,000
Unamortized Premium/Discount	55,840,657	13,091,441	6,118,180	62,813,918	-
	\$ 2,282,867,303	\$ 308,091,442	\$ 172,781,783	\$ 2,418,176,962	\$ 135,552,497

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	\$ 1,714,705,022	\$ 648,000,003	\$ 214,548,379	\$ 2,148,156,646	\$ 64,468,480
Homeownership Direct Placement Bonds	50,000,000	-	-	50,000,000	-
Single Family Mortgage Bonds	11,770,000	-	2,230,000	9,540,000	1,260,000
Multiple Purpose Bonds	19,760,000	-	430,000	19,330,000	450,000
Unamortized Premium/Discount	37,761,267	22,914,551	4,835,161	55,840,657	-
	\$ 1,833,996,289	\$ 670,914,554	\$ 222,043,540	\$ 2,282,867,303	\$ 66,178,480

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
2027	\$ 133,867,497	\$ 101,225,988	\$ -	\$ 1,096,944
2028	72,575,000	95,407,581	-	1,096,944
2029	73,775,000	93,610,086	-	1,100,000
2030	71,360,000	91,196,611	5,920,000	1,067,605
2031	71,390,000	88,807,975	6,035,000	937,127
2032-2036	334,720,000	407,384,186	32,115,000	2,625,747
2037-2041	358,030,000	343,581,695	5,930,000	93,632
2042-2046	368,590,546	269,335,282	-	-
2047-2051	440,935,000	170,093,310	-	-
2052-2056	350,760,000	50,272,785	-	-
2057-2061	2,685,001	81,275	-	-
Total	\$ 2,278,688,044	\$ 1,710,996,774	\$ 50,000,000	\$ 8,017,999

Year Ended June 30	Single Family Mortgage Bonds		Multiple Purpose Bonds	
	Principal	Interest	Principal	Interest
2027	\$ 1,225,000	\$ 250,802	\$ 460,000	\$ 119,989
2028	1,300,000	213,956	475,000	110,732
2029	1,445,000	168,788	640,000	105,377
2030	1,405,000	119,510	505,000	99,881
2031	1,355,000	71,691	525,000	97,023
2032-2036	685,000	81,545	2,875,000	436,009
2037-2041	350,000	39,132	3,410,000	335,296
2042-2046	30,000	525	4,050,000	202,670
2047-2051	-	-	2,785,000	48,613
2052-2056	-	-	1,300,000	14,192
2057-2061	-	-	1,440,000	6,709
2062-2066	-	-	415,000	437
Total	\$ 7,795,000	\$ 945,948	\$ 18,880,000	\$ 1,576,928

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, 2026:

Homeownership Mortgage Bonds	Liquidity Provider	Bond Maturity	Liquidity Provider Rating (Moody's/S&P)	Expiration Date	Bonds Outstanding
2015 Series C	The Authority	11/1/2045	Aa3/NR	11/1/2045	\$ 30,000,000
2020 Series B	The Authority	11/1/2041	Aa3/NR	11/1/2041	\$ 33,000,000
2015 Series E	Bank of America	11/1/2037	Aa2/A+	5/1/2030	\$ 24,155,000 *
2020 Series D	Bank of America	5/1/2043	Aa2/A+	2/10/2027	\$ 33,000,000 *
2022 Series D	FHLB of Des Moines	11/1/2046	Aaa/AA+	6/23/2027	\$ 33,000,000 *
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 *
2025 Series G	Bank of America	11/1/2050	Aa2/A+	10/29/2030	\$ 40,000,000 *
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	\$ 5,445,000
2020 Series A	FHLB of Des Moines	11/1/2062	Aaa/AA+	6/30/2028	\$ 13,285,000 *

* 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 therefor 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, 2026 and 2025, the aggregate principal amount of conduit debt outstanding totaled \$147,075,023 and \$54,376,048, respectively.

Note 8 - Refunding of Debt:

During the year ended June 30, 2026, the Authority issued Homeownership Mortgage Bonds Series 2025EG and 2026A, each in the aggregate amounts of \$120 million, of which \$47.9 million and \$45.0 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling volume cap utilized for the issuance of the refunded bonds.

During the year ended June 30, 2025, the Authority issued Homeownership Mortgage Bonds Series 2024C and 2025A in the aggregate principal amounts of \$200 million and \$159 million, respectively, of which \$96.8 million and \$21.2 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling volume cap utilized for the issuance of the refunded bonds.

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, 2026 and 2025, 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).

Notes to Financial Statements

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, 2026	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2026	Fair Value June 30, 2025	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2025
Wells Fargo Bank									
2015 E-1	25,000,000	4/1/2016 11/1/2037	2.1050%	66.4% of LIBOR plus 0.22%	Aa2	\$ 1,325,070	\$ 56,063	\$ 1,269,007	\$ (625,469)
2016 E-1	50,000,000	5/1/2019 5/1/2037	2.2080%	66.4% of LIBOR plus 0.23%	Aa2	2,694,945	130,122	2,564,823	(1,274,363)
2020 D	33,000,000	8/12/2020 5/1/2043	0.9280%	100% SIFMA	Aa2	6,279,006	(239,839)	6,518,845	(742,292)
MPB 2020 A	13,625,000	12/7/2020 5/1/2060	1.3100%	100% SIFMA	Aa2	2,595,791	(76,694)	2,672,485	(128,320)
JP Morgan									
2025 G	40,000,000	10/29/2025 11/1/2050	3.0570%	63% SOFR plus 0.14%	Aa1	847,935	847,935	-	-
Bank of America									
2022 D	33,000,000	6/23/2022 11/1/2046	2.3490%	70.0% of SOFR plus 0.08%	Aa2	3,451,500	311,738	3,139,762	(332,146)
2023 F	25,000,000	10/4/2023 11/1/2047	4.8100%	100% SOFR plus 0.15%	Aa2	600,011	568,697	31,314	(290,651)
Bank of New York Mellon									
2020 B	33,000,000	2/12/2020 11/1/2041	1.6525%	100% SIFMA	Aa1	3,561,738	(119,307)	3,681,045	(791,889)
2022 F	17,000,000	10/13/2022 11/1/2046	4.3770%	100% SOFR plus 0.15%	Aa1	989,387	320,364	669,023	(244,890)
2023 C	23,000,000	2/15/2023 11/1/2047	3.9500%	100% SOFR plus 0.15%	Aa1	2,351,634	379,932	1,971,702	(300,340)
2023 I	20,000,000	12/13/2023 5/1/2048	5.1750%	100% SOFR plus 0.15%	Aa1	(103,033)	508,205	(611,238)	(217,346)
						<u>\$24,593,984</u>		<u>\$ 21,906,768</u>	

*Moody's Investors Service

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, 2026 and 2025. 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.

(continued on next page)

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, 2026 and 2025, 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 (replacement rate for LIBOR being the Secured Overnight Financing Rate (SOFR) Fallback 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, 2026 and 2025, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.50% and 1.42% per annum, respectively, while the weighted average interest rate on the swaps was 1.59% and 1.51% 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.

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.

Notes to Financial Statements

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, 2026, are as follows:

Year Ended June 30	Variable Rate Bond		Interest Rate	
	Principal	Interest	Swap - Net	Total
2027	\$ 66,340,000	\$ 9,542,394	\$ (846,131)	\$ 75,036,263
2028	1,700,000	9,529,832	(840,585)	10,389,247
2029	2,595,000	9,472,783	(827,429)	11,240,354
2030	8,580,000	9,358,402	(811,803)	17,126,598
2031	8,950,000	9,107,067	(757,798)	17,299,269
2032-2036	62,740,000	40,201,764	(2,260,952)	100,680,812
2037-2041	45,245,000	30,325,341	1,000,110	76,570,452
2042-2046	64,510,000	17,003,717	2,047,182	83,560,899
2047-2051	47,625,000	3,414,998	299,554	51,339,551
2052-2056	1,300,000	344,497	(178,583)	1,465,914
2057-2061	1,855,000	145,849	(75,606)	1,925,242
	<u>\$ 311,440,000</u>	<u>\$ 138,446,643</u>	<u>\$ (3,252,042)</u>	<u>\$ 446,634,601</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, 2026 and 2025.

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Notes to Financial Statements

Note 10 - Fair Value:

The Authority had the following recurring fair value measurements as of June 30, 2026:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
U.S. Treasuries	\$ -	\$ 66,089,570	\$ -
U.S. Government agencies	-	2,316,502,949	-
Corporate-backed obligations	-	4,579,445	-
Money market mutual funds	256,203,107	-	-
State obligations	-	2,381,019	-
Total investments by fair value level	<u>\$ 256,203,107</u>	<u>\$ 2,389,552,983</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest rate swaps	\$ -	\$ 24,697,017	\$ -
Forward MBS contracts	-	55,382	-
	<u>\$ -</u>	<u>\$ 24,752,399</u>	<u>\$ -</u>
Liabilities			
Interest rate swaps	\$ -	\$ 103,033	\$ -
Forward MBS contracts	-	31,132	-
	<u>\$ -</u>	<u>\$ 134,165</u>	<u>\$ -</u>

The Authority had the following recurring fair value measurements as of June 30, 2025:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
U.S. Treasuries	\$ -	\$ 66,285,320	\$ -
U.S. Government agencies	-	1,929,861,813	-
Corporate-backed obligations	-	2,471,754	-
Money market mutual funds	437,008,909	-	-
State obligations	-	4,831,746	-
Total investments by fair value level	<u>\$ 437,008,909</u>	<u>\$ 2,003,450,633</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest rate swaps	\$ -	\$ 22,518,006	\$ -
	<u>\$ -</u>	<u>\$ 22,518,006</u>	<u>\$ -</u>
Liabilities			
Interest rate swaps	\$ -	\$ 611,238	\$ -
	<u>\$ -</u>	<u>\$ 611,238</u>	<u>\$ -</u>

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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:

	2026	2025
Bond and notes reserve	\$ 5,888,408	\$ 5,567,567
Program operations reserve	7,808,634	6,532,816
Total	<u>\$ 13,697,042</u>	<u>\$ 12,100,383</u>

Note 12 - Commitments:

As of June 30, 2026, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$107,217,540.

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, 2026 and 2025, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2026			2025		
	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)	\$ 22,013,575	\$ (11,881,262)	\$ 15,723	\$ 21,364,254	\$ (11,915,039)	\$ (1,050,995)
Current assets	611,247,353	8,531,057	29,774,531	743,646,042	8,956,512	26,809,961
Noncurrent assets	2,177,575,559	12,598,292	60,937,725	1,861,354,132	13,608,037	64,028,322
Total Assets	2,810,836,487	9,248,087	90,727,979	2,626,364,428	10,649,510	89,787,288
Deferred Outflows of Resources	1,776,377	-	-	2,388,759	-	-
Total Assets and Deferred Outflows of Resources	\$ 2,812,612,864	\$ 9,248,087	\$ 90,727,979	\$ 2,628,753,187	\$ 10,649,510	\$ 89,787,288
Liabilities						
Current liabilities	\$ 153,471,532	\$ 1,271,190	\$ 485,853	\$ 77,909,290	\$ 1,315,149	\$ 479,510
Noncurrent liabilities	2,259,811,281	6,613,063	18,477,395	2,192,588,684	8,339,607	18,902,240
Total Liabilities	2,413,282,813	7,884,253	18,963,248	2,270,497,974	9,654,756	19,381,750
Deferred Inflows of Resources	32,085,687	-	2,595,791	27,781,677	-	2,672,485
Total Liabilities and Deferred Inflows of Resources	2,445,368,500	7,884,253	21,559,039	2,298,279,651	9,654,756	22,054,235
Net Position						
Net investment in capital assets	-	-	(2,519,791)	-	-	(2,483,071)
Restricted by bond indentures	367,244,364	1,363,834	71,688,731	330,473,536	994,754	70,216,124
Total Liabilities, Deferred Inflows, and Net Position	\$ 2,812,612,864	\$ 9,248,087	\$ 90,727,979	\$ 2,628,753,187	\$ 10,649,510	\$ 89,787,288
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 3,578,074	\$ 527,658	\$ 1,559,791	\$ 4,253,867	\$ 592,390	\$ 826,362
Operating expenses	(3,087,160)	(192,578)	(285,874)	(12,385,198)	(167,278)	(172,784)
Operating income	490,914	335,080	1,273,917	(8,131,331)	425,112	653,578
Noncapital subsidies	(6,043,516)	-	(1,500,000)	(6,579,684)	-	(1,500,000)
Other nonoperating revenues and expenses	42,318,316	39,114	1,661,970	54,284,966	160,182	2,843,164
Change in net position	36,765,714	374,194	1,435,887	39,573,951	585,294	1,996,742
Beginning net position	330,473,536	994,754	67,733,053	290,899,585	409,460	65,736,311
Ending net position	\$ 367,239,250	\$ 1,368,948	\$ 69,168,940	\$ 330,473,536	\$ 994,754	\$ 67,733,053
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	\$ 27,673,771	\$ 1,381,524	\$ (473,925)	\$ (14,903,615)	\$ 1,923,256	\$ (4,358,295)
Noncapital financing activities	39,439,207	(2,148,903)	(2,153,508)	368,504,170	(2,693,955)	(2,137,321)
Capital and related financing activities	-	-	(252,327)	-	-	(297,931)
Investing activities	(249,531,779)	510,957	6,473,531	(261,193,717)	1,109,681	16,531,145
Net change	(182,418,801)	(256,422)	3,593,771	92,406,838	338,982	9,737,598
Beginning cash and cash equivalents	407,917,014	6,850,268	22,241,627	315,510,176	6,511,286	12,504,029
Ending cash and cash equivalents	\$ 225,498,213	\$ 6,593,846	\$ 25,835,398	\$ 407,917,014	\$ 6,850,268	\$ 22,241,627

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 is 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, 2026, 2025, and 2024, were \$319,997, \$327,871, and \$297,023, 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, 2025 and 2024, SDRS is 100.1% and 100.0%, 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, 2025 and 2024, respectively, and reported by the Authority as of June 30, 2026 and 2025, are as follows:

	2026	2025
Proportionate share of total pension liability	\$ 28,032,659	\$ 26,323,720
Less proportionate share of net position restricted for pension benefits	28,048,280	26,330,863
Proportionate share of net pension liability (asset)	<u>\$ (15,621)</u>	<u>\$ (7,143)</u>

At June 30, 2026 and 2025, the Authority reported a liability (asset) of (\$15,621) and (\$7,143), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025 and 2024, 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, 2025, the Authority's proportion was 0.183664%, which was an increase of 4%, or 0.007211 from its proportion measured as of June 30, 2024, of 0.176453%, which was an increase of 9%, or 0.014759 from its proportion measured as of June 30, 2023, of 0.161694%.

For the years ended June 30, 2026 and 2025, the Authority recognized pension expense (reduction of pension expense) of \$(337,688), and \$155,130, respectively. At June 30, 2026, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 534,815	\$ -
Changes in assumption	-	829,174
Net difference between projected and actual earnings on pension plan investments	761,097	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	8,734	5,061
Authority contributions subsequent to the measurement date	319,997	-
Total	<u>\$ 1,624,643</u>	<u>\$ 834,235</u>

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Notes to Financial Statements

At June 30, 2026, there is \$319,997 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, 2027.

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:	
2027	\$ 364,092
2028	40,886
2029	24,153
2030	41,280
Total	<u>\$ 470,411</u>

At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 661,426	\$ -
Changes in assumption	117,763	897,659
Net difference between projected and actual earnings on pension plan investments	269,050	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	5,486	22,738
Authority contributions subsequent to the measurement date	327,871	-
Total	<u>\$ 1,381,596</u>	<u>\$ 920,397</u>

At June 30, 2025, there was \$327,871 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, 2026.

Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2025, 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 of an average inflation rate of 2.5% and real returns of 4.00%.
Future COLAS	1.71%

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, 2025, valuation were based on the results of an actuarial experience study for the period of July 1, 2016, to June 30, 2021.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2025, (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	2.3
High Yield Debt	7.0	2.9
Real Estate	12.0	4.0
Cash	1.9	0.8
Total	<u>100.0 %</u>	

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, 2026, 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)	\$ 3,828,350	\$ (15,621)	\$ (3,164,752)

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, 2026 and 2025, 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, 2025	Increase	Decrease	June 30, 2026
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	5,003,608	182,515	17,999	5,168,124
Total capital assets depreciated	11,265,466	182,515	17,999	11,429,982
Total capital assets	11,485,875	182,515	17,999	11,650,391
Less accumulated depreciation for:				
Buildings	2,110,323	127,748	-	2,238,071
Land improvements	995,075	29,622	-	1,024,697
Furniture and equipment	3,824,710	284,825	17,999	4,091,536
Total accumulated depreciation	6,930,108	442,195	17,999	7,354,304
Capital assets, net	\$ 4,555,767	\$ (259,680)	\$ -	\$ 4,296,087

	Beginning Balance			Ending Balance
	July 1, 2024	Increase	Decrease	June 30, 2025
Capital assets not depreciated:				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated:				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,878,019	598,280	472,691	5,003,608
Total capital assets depreciated	11,139,877	598,280	472,691	11,265,466
Total capital assets	11,360,286	598,280	472,691	11,485,875
Less accumulated depreciation for:				
Buildings	1,982,575	127,748	-	2,110,323
Land improvements	965,453	29,622	-	995,075
Furniture and equipment	4,021,118	271,390	467,798	3,824,710
Total accumulated depreciation	6,969,146	428,760	467,798	6,930,108
Capital assets, net	\$ 4,391,140	\$ 169,520	\$ 4,893	\$ 4,555,767

(continued on next page)

Notes to Financial Statements

Note 18 - Accounts Payable and Other Accruals:

Payables at June 30, 2026 and 2025, were as follows:

	2026	2025
Accounts Payable		
Contractual/Forex	\$ 73,597	\$ 41,975
Travel/moving costs	35,625	17,228
Office/marketing	35,669	165,620
Maintenance	14,451	34,083
Cost of issuance	452,622	485,617
General	688,460	864,747
Excise/unemployment tax	41,380	39,113
Materials/tools	499,265	756,662
	1,841,069	2,405,045
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued leave	769,650	708,266
Accrued payroll	36,315	34,193
Employee withholdings	-	12
Servicing fee	20,835	24,923
Arbitrage payable	2,472,779	2,799,766
	6,090,648	6,922,205
Total Accounts Payable and Other Liabilities	6,090,648	6,922,205
Current Liabilities	2,497,382	3,020,317
Noncurrent Liabilities	\$ 3,593,266	\$ 3,901,888

Note 19 - Subsequent Events:

Subsequent to the year ending June 30, 2026, the Authority issued Homeownership Mortgage Bonds Series 2026C in the amount of \$120 million and 2026D in the amount of \$150 million.

Notes to Financial Statements

Note 20 - Change in Accounting Principle

As a result of implementing GASB Statement No. 103, certain line items reported in the 2025 statement of revenues, expenses, and changes in net position, and the 2025 statement of cash flows have been reclassified to conform to the current-year presentation.

The following is a summary of the effects of the reclassifications in the Authority's June 30, 2025, statement of revenues, expenses, and changes in net position:

	As Previously Reported	Adjustment	GASB 103 Reclassified
Year ended June 30, 2025			
Earnings on Investments and Program			
Mortgage-Backed Securities	\$ 103,721,732	\$ (103,721,732)	\$ -
Net Increase in Fair Value of Investments			
and Program Mortgage-Backed Securities	38,902,085	(38,902,085)	-
HUD Contributions	41,763,618	(41,763,618)	-
U.S. Treasury Contributions/COVID	33,415,608	(33,415,608)	-
Fee, Grant and Other Income	12,137,190	(2,066,600)	10,070,590
Total Operating Revenues	235,642,069	(219,869,643)	15,772,426
Interest Expense	69,188,843	(69,188,843)	-
HUD Housing Assistance Payments	29,855,780	(29,855,780)	-
U.S. Treasury Housing Assistance Payments/COVID	33,415,608	(33,415,608)	-
Arbitrage Rebate	512,942	(512,942)	-
Bond Financing Costs	7,074,103	(7,074,103)	-
Other Housing Programs	47,228,054	(25,546,236)	21,681,818
Total Operating Expenses	202,626,208	(165,593,512)	37,032,696
HUD Contributions	-	41,763,618	41,763,618
U.S. Treasury Contributions/COVID	-	33,415,608	33,415,608
Housing Opportunity Funds From the State	-	2,066,600	2,066,600
Housing Assistance Payments HUD	-	(29,855,780)	(29,855,780)
Housing Assistance Payments/COVID	-	(33,415,608)	(33,415,608)
Housing Assistance Payments From the State	-	(24,666,193)	(24,666,193)
Other HUD Programs	-	(880,043)	(880,043)
Total Noncapital Subsidies	-	(11,571,798)	(11,571,798)
Earnings on Investments and Program			
Mortgage-Backed Securities	-	103,721,732	103,721,732
Net Increase in Fair Value of Investments			
and Program Mortgage-Backed Securities	-	38,902,085	38,902,085
Interest Expense	-	(69,188,843)	(69,188,843)
Arbitrage Rebate	-	(512,942)	(512,942)
Bond Financing Costs	-	(7,074,103)	(7,074,103)
Total Other Nonoperating Revenues and Expenses	-	65,847,929	65,847,929

Notes to Financial Statements

The following is a summary of the effects of the reclassifications in the Authority's June 30, 2025, statement of cash flows:

	As Previously Reported	Adjustment	GASB 103 Reclassified
Year ended June 30, 2025			
Receipts from loan payments and program mortgage-backed securities	\$ 209,282,229	\$ (202,283,577)	\$ 6,998,652
Receipts for program fees	11,013,291	(2,066,439)	8,946,852
Receipts from federal housing programs	41,763,618	(41,763,618)	-
Receipts for U.S. Treasury housing assistance/COVID	35,410,310	(35,410,310)	-
Payments for loan programs and program mortgage-backed securities	(590,963,727)	568,269,803	(22,693,924)
Payments for federal housing programs	(29,855,780)	29,855,780	-
Payments for U.S Treasury housing assistance/COVID	(33,415,608)	33,415,608	-
Payments for other housing programs	(43,898,744)	25,546,236	(18,352,508)
Net cash used in operating activities	(411,055,394)	375,563,483	(35,491,911)
Receipts from federal housing programs	-	43,262,342	43,262,342
Receipts for U.S. Treasury housing assistance/COVID	-	35,410,310	35,410,310
Receipts for State Funded Programs	-	2,066,600	2,066,600
Payments for federal housing programs	-	(30,735,823)	(30,735,823)
Payments for U.S Treasury housing assistance/COVID	-	(33,415,608)	(33,415,608)
Payments for State Funded Programs	-	(24,666,193)	(24,666,193)
Net cash provided by noncapital financing activities	371,752,578	(8,078,372)	363,674,206
Purchase of investment securities	(20,753,614)	(568,269,803)	(589,023,417)
Proceeds from sale and maturities of investment securities	121,583,605	128,908,274	250,491,879
Interest received on investments	30,164,080	71,876,418	102,040,498
Net cash provided by investing activities	130,994,071	(367,485,111)	(236,491,040)

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South Dakota Housing Development Authority

Required Supplementary Information
June 30, 2026

South Dakota Retirement System

Last 10 Years

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2026	\$ 319,997.32	\$ 319,997.32	\$ 0.00	\$ 5,333,293.22	6.00%
2025	\$ 327,871.00	\$ 327,871.00	\$ 0.00	\$ 5,464,514.90	6.00%
2024	\$ 297,022.82	\$ 297,022.82	\$ 0.00	\$ 4,950,378.28	6.00%
2023	\$ 250,239.50	\$ 250,239.50	\$ 0.00	\$ 4,170,659.16	6.00%
2022	\$ 233,211.51	\$ 233,211.51	\$ 0.00	\$ 3,886,853.95	6.00%
2021	\$ 228,155.74	\$ 228,155.74	\$ 0.00	\$ 3,802,590.88	6.00%
2020	\$ 218,816.67	\$ 218,816.67	\$ 0.00	\$ 3,646,948.06	6.00%
2019	\$ 198,402.90	\$ 198,402.90	\$ 0.00	\$ 3,306,716.31	6.00%
2018	\$ 192,444.64	\$ 192,444.64	\$ 0.00	\$ 3,207,414.93	6.00%
2017	\$ 200,307.96	\$ 200,307.96	\$ 0.00	\$ 3,338,466.72	6.00%

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)***As of June 30, 2026*****South Dakota Retirement System**

Last 10 Years*

Fiscal Year	Authority's Proportion of the Net Pension Liability/Asset	Authority's		Authority's	Plan Fiduciary Net
		Proportionate Share of the Net Pension Liability/(Asset)	Authority's Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Position as a Percentage of the Total Pension Liability (Asset)
2026	0.183664%	\$ (15,620.96)	\$ 5,464,514.90	0.29%	100.10%
2025	0.176453%	\$ (7,142.78)	\$ 4,950,378.28	0.14%	100.00%
2024	0.161694%	\$ (15,782.06)	\$ 4,170,659.16	0.38%	100.10%
2023	0.162777%	\$ (15,383.44)	\$ 3,886,853.95	0.40%	100.10%
2022	0.167565%	\$ (1,283,261.12)	\$ 3,802,590.88	33.75%	105.52%
2021	0.166171%	\$ (7,216.76)	\$ 3,646,948.06	0.20%	100.04%
2020	0.155522%	\$ (16,481.06)	\$ 3,306,716.31	0.50%	100.09%
2019	0.154284%	\$ (3,598.26)	\$ 3,207,414.93	0.11%	100.02%
2018	0.164311%	\$ (14,911.42)	\$ 3,338,466.72	0.45%	100.10%
2017	0.173927%	\$ 587,507.30	\$ 3,307,216.68	17.76%	96.89%

* The amounts presented for each year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

Changes from Prior Valuation

The June 30, 2025 actuarial valuation reflects no changes to the plan provisions or actuarial methods and one change to the actuarial assumptions from the June 30, 2024 actuarial valuation.

Benefit Provision Changes

During the 2025 legislative session, no significant SDRS benefit changes were made.

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 of June 30, 2024, the FVFR, assuming the long-term COLA is equal to the baseline COLA assumption (2.25%), was less than 100% and the July 2025 SDRS COLA was limited to a restricted maximum of 1.71%. For the June 30, 2024, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 1.71%.

As of June 30, 2025, the FVFR, assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2026 SDRS COLA is limited to a restricted maximum of 1.56%. The July 2026 SDRS COLA will equal inflation, no less than 0% and no greater than 1.56%. For this June 30, 2025, Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.56%.

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, 2026

Supplemental Schedule of Net Position

As of June 30, 2026

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 199,670,692	\$ 225,498,213	\$ 6,593,846	\$ 25,835,398	\$ 457,598,149
Investment securities - other	-	367,431	-	2,659,439	3,026,870
Investments - program mortgage-backed securities	-	354,168,428	-	-	354,168,428
Mortgage loans receivable, net	7,824,179	20,292,538	1,862,775	904,276	30,883,768
Interest receivable	-	10,864,508	75,288	375,418	11,315,214
Other receivables	3,669,916	-	-	-	3,669,916
Other assets	4,588,299	-	-	-	4,588,299
Hedging derivatives	-	55,382	-	-	55,382
Total Current Assets	215,753,086	611,246,500	8,531,909	29,774,531	865,306,026
Noncurrent Assets					
Investment securities - other	-	235,271,688	3,493,708	23,175,066	261,940,462
Investments - program mortgage-backed securities	-	1,770,417,223	-	-	1,770,417,223
Mortgage loans receivable, net	115,994,886	100,489,569	9,108,846	32,241,659	257,834,960
Line of credit receivable	-	47,178,313	-	-	47,178,313
Other receivables	15,621	2,113,279	-	-	2,128,900
Hedging derivatives	-	22,101,226	-	2,595,791	24,697,017
Capital assets, net	1,370,878	-	-	2,925,209	4,296,087
Due from (to) other funds	(10,148,036)	22,013,575	(11,881,262)	15,723	-
Total Noncurrent Assets	107,233,349	2,199,584,873	721,292	60,953,448	2,368,492,962
Total Assets	322,986,435	2,810,831,373	9,253,201	90,727,979	3,233,798,988
Deferred Outflows of Resources					
Loss on refundings	-	1,642,212	-	-	1,642,212
Forward contracts	-	31,132	-	-	31,132
Swaps	-	103,033	-	-	103,033
Related to pensions	1,624,643	-	-	-	1,624,643
Total Assets and Deferred Outflows of Resources	\$ 324,611,078	\$ 2,812,607,750	\$ 9,253,201	\$ 90,727,979	\$ 3,237,200,008

(continued on next page)

Supplemental Schedule of Net Position

As of June 30, 2026

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Liabilities					
Current Liabilities					
Bonds payable	\$ -	\$ 133,867,497	\$ 1,225,000	\$ 460,000	\$ 135,552,497
Accrued interest payable	-	19,256,651	43,069	25,853	19,325,573
Unearned revenue	2,091,951	-	-	-	2,091,951
Accounts payable and other liabilities	2,178,009	316,252	3,121	-	2,497,382
Multifamily escrows and reserves	776,067	-	-	-	776,067
Hedging derivatives	-	31,132	-	-	31,132
Total Current Liabilities	5,046,027	153,471,532	1,271,190	485,853	160,274,602
Noncurrent Liabilities					
Bonds payable	-	2,257,591,402	6,613,063	18,420,000	2,282,624,465
Accounts payable and other liabilities	1,419,025	2,116,846	-	57,395	3,593,266
Unearned revenue	55,028,159	-	-	-	55,028,159
Hedging derivatives	-	103,033	-	-	103,033
Total Noncurrent Liabilities	56,447,184	2,259,811,281	6,613,063	18,477,395	2,341,348,923
Total Liabilities	61,493,211	2,413,282,813	7,884,253	18,963,248	2,501,623,525
Deferred Inflows of Resources					
Forward contracts	-	55,382	-	-	55,382
Gain on refundings	-	9,929,079	-	-	9,929,079
Swaps	-	22,101,226	-	2,595,791	24,697,017
Related to pensions	834,235	-	-	-	834,235
Total Liabilities and Deferred Inflows of Resources	62,327,446	2,445,368,500	7,884,253	21,559,039	2,537,139,238
Net Position					
Net investment in capital assets	1,370,878	-	-	(2,519,791)	(1,148,913)
Restricted for pension benefits	806,030	-	-	-	806,030
Restricted by statute	157,077,397	-	-	-	157,077,397
Restricted by bond indentures	-	367,239,250	1,368,948	71,688,731	440,296,929
Restricted by HOME, HTF, NSP and HAF Program	103,029,327	-	-	-	103,029,327
Total Net Position	262,283,632	367,239,250	1,368,948	69,168,940	700,060,770
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 324,611,078	\$ 2,812,607,750	\$ 9,253,201	\$ 90,727,979	\$ 3,237,200,008

Supplemental Schedule of Operations and Changes in Net Position

For the Year Ended June 30, 2026

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
Operating Revenues					
Interest income on mortgage loans	\$ 358,803	\$ 3,578,074	\$ 527,658	\$ 1,559,791	\$ 6,024,326
House sales and fee income	9,082,993	-	-	-	9,082,993
Total Operating Revenues	9,441,796	3,578,074	527,658	1,559,791	15,107,319
Operating Expenses					
Servicer fees	-	(260,214)	(51,531)	-	(311,745)
General and administrative	(9,236,835)	(420,904)	(4,127)	(151,521)	(9,813,387)
Other housing programs	(8,975,291)	(2,053,236)	-	(134,353)	(11,162,880)
Provision for loan loss	(3,124,567)	(352,806)	(136,920)	-	(3,614,293)
Total Operating Expenses	(21,336,693)	(3,087,160)	(192,578)	(285,874)	(24,902,305)
Operating Income (Loss)	(11,894,897)	490,914	335,080	1,273,917	(9,794,986)
Noncapital Subsidies					
HUD contributions	40,147,364	-	-	-	40,147,364
U.S. Treasury contributions/COVID	18,745,101	-	-	-	18,745,101
Housing opportunity funds from the State	1,247,910	-	-	-	1,247,910
Housing assistance payments HUD	(31,137,404)	-	-	-	(31,137,404)
Housing assistance payments/COVID	(18,745,101)	-	-	-	(18,745,101)
Housing assistance payments from the State	(13,609,012)	-	-	-	(13,609,012)
Other HUD programs	(1,248,459)	-	-	-	(1,248,459)
Interfund Transfers	7,543,516	(6,043,516)	-	(1,500,000)	-
Total Noncapital Subsidies	2,943,915	(6,043,516)	-	(1,500,000)	(4,599,601)
Operating Income (Loss) and Noncapital Subsidies	(8,950,982)	(5,552,602)	335,080	(226,083)	(14,394,587)
Other Nonoperating Revenues and Expenses					
Earnings - investments and program mortgage-backed securities	5,760,635	116,971,179	398,644	1,668,629	124,799,087
Net increase (decrease) in fair value of investments and program mortgage-backed securities	(379,626)	25,225,320	19,201	480,673	25,345,568
Interest Expense	-	(96,632,481)	(268,731)	(380,678)	(97,281,890)
Arbitrage rebate (expense) benefit	-	178,908	-	(35,154)	143,754
Bond financing costs	-	(3,424,610)	(110,000)	(71,500)	(3,606,110)
Total Other Nonoperating Revenues and Expenses	5,381,009	42,318,316	39,114	1,661,970	49,400,409
Increase (Decrease) in Fund Net Position	(3,569,973)	36,765,714	374,194	1,435,887	35,005,822
Net Position, Beginning of Fiscal Year	265,853,605	330,473,536	994,754	67,733,053	665,054,948
Net Position, End of Fiscal Year	\$ 262,283,632	\$ 367,239,250	\$ 1,368,948	\$ 69,168,940	\$ 700,060,770

South Dakota Housing Development Authority

Other Information
June 30, 2026

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
2025 Series EG	10/29/2025	various	\$ 83,463,299	\$ 83,407,379	\$ 55,920
2026 Series A	2/11/2026	various	73,042,756	36,521,080	36,521,676
2026 Series B	2/11/2026	various	514,075	-	514,075
			<u>\$ 157,020,130</u>		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

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

TABLE III

Outstanding Step Homeownership Mortgage Loans

Years Outstanding	Number	Principal Amount
1	-	\$ -
2	-	-
3	-	-
4	-	-
5 or more	124	3,280,090
Total	<u>124</u>	<u>\$ 3,280,090</u>

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	16	879,866	6.000%	29	1,021,212
3.850%	2	169,715	6.125%	5	381,718
4.125%	31	1,528,615	6.150%	1	47,773
4.250%	6	319,128	6.250%	10	343,494
4.375%	45	2,665,025	6.375%	1	63,368
4.500%	21	1,058,711	6.400%	11	116,055
4.625%	9	614,427	6.450%	1	46,604
4.750%	295	10,561,216	6.500%	72	987,749
4.850%	29	1,621,151	6.625%	2	92,697
4.870%	26	1,545,750	6.650%	8	99,832
4.950%	295	9,370,790	6.750%	7	46,753
5.000%	13	631,297	6.850%	9	78,031
5.125%	53	2,008,452	6.890%	1	2,409
5.150%	47	1,766,426	6.900%	6	61,925
5.250%	112	4,866,378	6.950%	14	302,026
5.375%	59	2,495,646	7.110%	17	125,859
5.425%	12	570,165	7.250%	3	28,871
5.450%	9	329,837	7.300%	2	35,752
5.500%	185	7,445,229	7.360%	2	3,798
5.625%	16	794,353	7.400%	2	49,682
5.750%	22	945,047	7.450%	3	36,283
5.850%	42	2,138,363	7.550%	3	42,203
5.950%	180	4,243,645	7.650%	1	17,730
				1,735	\$ 62,601,056

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor		Percent of Principal Amount
FHA		31.95%
VA		3.78%
USDA Rural Development		44.01%
Private Mortgage Insurance		
Mortgage Guaranty Insurance Company	0.16%	
Genworth	0.00%	
PMI	0.01%	
United Guaranty Insurance	0.00%	
CMG Mortgage Insurance Company	0.00%	
Total PMI Insured Mortgage Loans		0.17%
Total Insured Mortgage Loans		79.91%
Uninsured		20.09%
Total All Mortgage Loans		100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
First Interstate	\$ 42,814,023
CorTrust Mortgage	12,860,310
First Bank & Trust	3,730,481
BankWest	2,509,419
CU Mortgage	686,823
	<u>\$ 62,601,056</u>

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2026	As of 6/30/2025	As of 6/30/2026	As of 6/30/2025
31-60 Days (one payment) Delinquent	5.01%	3.87%	3.72%	5.10%
61-90 Days (two payments) Delinquent	1.21%	1.81%	1.24%	1.96%
91 Days or More (three or more payments) Delinquent	1.33%	1.49%	1.24%	0.78%
Total Delinquent	7.55%	7.17%	6.20%	7.84%
In Foreclosure	0.46%	0.52%	0.41%	0.78%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	\$ 2,735,847,534
Amount of Outstanding Homeownership Bonds	\$ 2,328,688,044
Parity Calculation	110.61%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 20,291,302
Amount of Outstanding Single Family Bonds	\$ 7,795,000
Parity Calculation	260.31%
Parity Requirement	100.00%
Value of Principal Assets of Multi-Purpose Program	\$ 25,097,510
Amount of Outstanding Multi-Purpose Bonds	\$ 18,880,000
Parity Calculation	132.93%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority

Homeownership Program	\$ 160,140,430
Single Family Program	\$ 623,611
Multi-Purpose Program	\$ 41,881,376

Table X

Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2026:

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	99.6	695,690	61,584	-	-	-
Edmonton Heights	Gregory	16	67.2	524,000	-	-	118,563	3.00
Pheasant Valley Courtyard	Milbank	60	NA	1,556,000	-	-	-	-
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	99.6	462,900	-	-	137,420	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)	NA	3,094,600	-	-	-	-
Dakota Square	Aberdeen	55	NA	1,730,300	-	-	-	-
Majestic View Townhouses	Hot Springs	20	NA	596,630	-	-	-	-
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	100.0	85,300	-	-	870,952	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	172,813	9.65	106,087	-
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	100.0	7,320,000	5,084,487	3.55 - 4.65	-	-
Sunnycrest	Sioux Falls	60	100.0	8,500,000	7,942,373	3.50	-	-
				<u>\$ 58,073,351</u>	<u>\$ 13,261,257</u>		<u>\$ 1,233,022</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, 2026.

(3) Amounts are balances as of June 30, 2026.

Table XI

Outstanding Guaranteed Mortgage Securities as of June 30, 2026:

Pass Through Rate	Principal Amount	Pass Through Rate	Principal Amount
1.6750	\$ 152,209	5.1250	58,502,973
1.8000	841,585	5.1450	1,068,192
1.9250	6,600,759	5.1550	8,153,430
2.0000	36,873,023	5.1650	1,280,242
2.0250	381,182	5.1750	5,913,191
2.0300	90,776	5.2500	72,041,739
2.0500	443,391	5.2700	3,388,506
2.1750	11,435,294	5.2800	11,427,229
2.2500	1,468,211	5.2900	450,820
2.2750	858,097	5.3000	6,220,352
2.2800	145,263	5.3750	61,034,459
2.3000	18,552,229	5.3950	11,327,653
2.4250	21,826,846	5.4050	37,299,068
2.5000	189,763,846	5.4150	2,506,310
2.5250	1,021,676	5.4250	8,101,729
2.5300	50,866	5.5000	262,832,437
2.5500	11,272,337	5.5300	13,607,856
2.6250	267,559	5.5500	6,871,113
2.6500	206,414	5.6250	15,859,450
2.6750	10,994,590	5.6550	9,379,159
2.7500	646,071	5.6650	526,261
2.7750	586,030	5.6750	9,780,807
2.8000	9,293,302	5.7500	15,259,558
2.8750	40,111	5.7700	284,862
2.9000	175,191	5.7800	13,148,800
2.9250	14,368,509	5.8000	7,343,730
3.0000	103,045,922	5.8750	25,079,877
3.0250	2,203,732	5.8950	473,599
3.0500	8,267,129	5.9050	16,786,724
3.1250	37,645	5.9150	731,230
3.1500	503,995	5.9250	6,603,658
3.1750	4,743,499	6.0000	214,041,302
3.2500	236,494	6.0200	823,546
3.2750	1,634,581	6.0300	10,719,223
3.3000	7,298,237	6.0500	2,174,069
3.3750	106,564	6.1250	18,257,807
3.4000	13,408	6.1450	1,695,455
3.4250	4,431,382	6.1550	17,208,266
3.5000	45,582,024	6.1750	1,824,980
3.5250	1,141,785	6.2500	2,018,629
3.5500	10,191,186	6.2700	2,292,581
3.6500	558,662	6.2800	13,667,275
3.6750	3,958,728	6.2900	299,579
3.7750	669,404	6.3000	1,725,205
3.8000	2,221,275	6.3750	2,148,297
3.9250	2,525,887	6.4050	3,726,162
4.0000	30,593,124	6.4250	937,510
4.0500	932,275	6.5000	111,764,763
4.1750	8,180,742	6.5300	3,539,088
4.2750	85,113	6.5500	2,500,284
4.3000	3,253,695	6.6250	3,485,706
4.4250	10,252,039	6.6450	233,257
4.4500	39,994	6.6550	4,750,798
4.5000	31,102,246	6.6750	365,620
4.5500	2,679,081	6.7500	3,148,970
4.5750	36,867	6.7700	844,518
4.6250	14,230	6.7800	795,985
4.6750	5,918,585	6.8000	824,849
4.7500	1,861,780	6.8750	2,732,405
4.7800	468,792	6.9050	2,746,736
4.7900	1,696,134	7.0000	20,516,582
4.8000	3,280,014	7.0300	2,192,425
4.8750	21,144,234	7.0500	351,666
4.9250	2,939,297	7.1550	185,769
5.0000	290,735,669	7.1750	625,556
5.0200	482,063	7.2800	904,726
5.0300	6,780,031	7.4050	151,835
5.0400	2,194,075	7.5000	876,690
5.0500	11,805,536		
		Total	\$ 2,124,585,651