



# South Dakota Housing Development Authority

Financial Report  
June 30, 2021 and 2020

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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 Financial Statements

We have audited the accompanying financial statements of South Dakota Housing Development Authority, a component unit of the State of South Dakota, which comprise the statements of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Dakota Housing Development Authority, as of June 30, 2021 and 2020, and the changes in its 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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the Schedule of Authority's Contributions, Schedule of Authority's Proportionate Share of Net Pension Liability (Asset) and Notes to Required Supplementary Information on pages 45 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Dakota Housing Development Authority's financial statements. The supplementary schedules and tables set forth on pages 48 through 57 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules and tables are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and tables are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota  
October 13, 2021

## Management's Discussion and Analysis

June 30, 2021 and 2020 (Unaudited)

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This section of the South Dakota Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2021 (FY 2021) and 2020 (FY 2020). This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This analysis should be read in conjunction with the Independent Auditor's Report, Financial Statements, Notes to the Financial Statements, and Supplementary Information.

### **The Authority**

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

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

### **Basic Financial Statements**

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

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## Management's Discussion and Analysis

### June 30, 2021 and 2020 (Unaudited)

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

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

#### Changes in Financial Position

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2021, FY 2020, and FY 2019 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 2021	FY 2020	FY 2019	% Change 2021/2020	% Change 2020/2019
Revenues:					
Interest on mortgages	\$ 11.0	\$ 14.0	\$ 16.8	-21.4%	-16.7%
Investment income	49.1	45.7	33.7	7.4%	35.6%
Increase (decrease) in fair market value of investments and program MBS	(22.4)	47.9	49.1	-146.8%	-2.4%
HUD contributions	33.0	30.9	28.1	6.8%	10.0%
US Treasury contributions	13.9	-	-	-	-
Other income	7.9	8.6	7.4	-8.1%	16.2%
Total revenues	92.5	147.1	135.1	-37.1%	8.9%
Expenses:					
Interest	34.4	37.1	34.4	-7.3%	7.8%
Servicer fees	0.8	1.1	1.2	-27.3%	-8.3%
General and administrative	7.3	7.1	7.3	2.8%	-2.7%
HUD housing assistance payments	24.1	23.3	22.9	3.4%	1.7%
US Treasury housing assistance payments	13.9	-	-	-	-
Other	15.2	15.4	12.7	-1.3%	21.3%
Total expenses	95.7	84.0	78.5	13.9%	7.0%
Change in net position	\$ (3.2)	\$ 63.1	\$ 56.6	-105.1%	11.5%

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## Management's Discussion and Analysis

June 30, 2021 and 2020 (Unaudited)

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

	FY 2021	FY 2020	FY 2019	% Change 2021/2020	% Change 2020/2019
<b>Assets:</b>					
Cash and equivalents	\$ 369.2	\$ 254.2	\$ 245.5	45.2%	3.5%
Investments	1,419.8	1,246.4	1,132.2	13.9%	10.1%
Mortgages	308.2	355.3	399.1	-13.3%	-11.0%
Line of credit receivable	44.8	69.4	50.9	-35.4%	36.3%
Interest receivable	4.4	4.7	5.6	-6.4%	-16.1%
Capital assets	5.0	5.1	5.1	-2.0%	0.0%
Other	8.4	5.9	5.4	42.4%	9.3%
Total assets	<u>2,159.8</u>	<u>1,941.0</u>	<u>1,843.8</u>	<u>11.3%</u>	<u>5.3%</u>
<b>Deferred Outflows of Resources</b>					
Deferred loss on refunding	2.7	2.9	3.1	-6.9%	-6.5%
Deferred forward contract outflow	0.1	1.0	0.2	-90.0%	400.0%
Deferred swap outflow	4.7	9.4	2.0	-50.0%	370.0%
Deferred outflow related to pension	1.2	0.9	1.3	33.3%	-30.8%
Total assets and deferred outflows	<u>\$ 2,168.5</u>	<u>\$ 1,955.2</u>	<u>\$ 1,850.4</u>	<u>10.9%</u>	<u>5.7%</u>
<b>Liabilities:</b>					
Current bonds payable	\$ 50.4	\$ 51.6	\$ 46.7	-2.3%	10.5%
Interest payable	5.9	6.3	6.6	-6.3%	-4.5%
Fair value of hedging derivatives	4.8	10.3	2.2	-53.4%	368.2%
Other	4.5	6.4	8.5	-29.7%	-24.7%
Unearned revenue	261.9	-	-	-	-
Noncurrent bonds payable	1,224.8	1,267.0	1,237.3	-3.3%	2.4%
Total liabilities	<u>1,552.3</u>	<u>1,341.6</u>	<u>1,301.3</u>	<u>15.7%</u>	<u>3.1%</u>
<b>Deferred Inflows of Resources</b>					
Deferred forward contract inflow	-	0.1	-	-100.0%	-
Deferred gain on refunding inflow	5.8	2.8	1.4	107.1%	100.0%
Deferred swap inflow	2.5	0.3	0.4	733.3%	-25.0%
Deferred inflow related to pension	1.0	0.3	0.3	233.3%	0.0%
Total liabilities and deferred inflows	<u>1,561.6</u>	<u>1,345.1</u>	<u>1,303.4</u>	<u>16.1%</u>	<u>3.2%</u>
<b>Net Position:</b>					
Net investment in capital assets	(1.0)	(1.0)	(1.0)	0.0%	0.0%
Restricted by state statute	14.1	14.5	15.3	-2.8%	-5.2%
Restricted for pension benefits	0.2	0.6	1.0	-66.7%	-40.0%
Restricted by bond indentures	509.4	516.5	453.2	-1.4%	14.0%
Restricted by HOME, HTF and NSP program	84.2	79.5	78.5	5.9%	1.3%
Total net position	<u>606.9</u>	<u>610.1</u>	<u>547.0</u>	<u>-0.5%</u>	<u>11.5%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,168.5</u>	<u>\$ 1,955.2</u>	<u>\$ 1,850.4</u>	<u>10.9%</u>	<u>5.7%</u>

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## Management's Discussion and Analysis

### June 30, 2021 and 2020 (Unaudited)

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#### Financial Highlights for FY 2021

- Total operating revenues decreased 37.1% to \$92.5 million for FY 2021, from \$147.1 million for FY 2020. The main factor contributing to this decrease was from market value adjustments on investments.
- Total operating expenses increased 13.9% to \$95.7 million for FY 2021, from \$84.0 million for FY 2020. The primary component of the increase was from COVID-related housing assistance payments.
- Net position of the Authority for FY 2021 was \$606.9 million, which represented a decrease of \$3.2 million, or 0.5%, from the FY 2020 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$308.2 million at the end of FY 2021, which represented a decrease of \$47.1 million, or 13.3%, for FY 2021 from the FY 2020 level of \$355.3 million. In the last half of FY 2020, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.
- Investments were \$1,419.8 million at the end of FY 2021, which represented an increase of \$173.4 million, or 13.9%, from the FY 2020 total of \$1,246.4 million. The increase is primarily related to unspent US Treasury housing assistance payments. As of June 30, 2021, \$261.9 million of US Treasury payments are recorded on the financials as unearned revenue.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of \$44.8 million at the end of FY 2021 and \$69.4 million at the end of FY 2020.
- Interest income on mortgage loans was \$11.0 million for FY 2021, which represented a decrease of \$3.0 million from the \$14.0 million reported in FY 2020. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$49.1 million for FY 2021, which represented an increase of \$3.4 million, or 7.4%, in FY 2021 from \$45.7 million for FY 2020 due to the additional US Treasury funds received and held as investments in FY 2021. The fair market value decreased by \$22.4 million in FY 2021 and increased by \$47.9 million in FY 2020. The FY 2021 fair market decrease was a result of rising interest rates in comparison to last fiscal year-end. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$19.2 million for FY 2021 compared to \$15.2 million for FY 2020.

## Management's Discussion and Analysis

### June 30, 2021 and 2020 (Unaudited)

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- Deferred outflows of resources from interest rate swaps at the end of FY 2021 decreased to \$4.7 million from \$9.4 million at the end of FY 2020, or 50.0%. Deferred inflows of resources from interest rate swaps at the end of FY 2021 increased to \$2.5 million from \$0.3 million at the end of FY 2020, or 733.3%. See Note 9 for a list of the Authority's swaps outstanding.
- Bonds and notes outstanding of the Authority were \$1,275.2 million for FY 2021, which was a decrease of \$43.4 million, or 3.3%, in FY 2021 from \$1,318.6 million in FY 2020 due to more bonds being redeemed or maturing during the year than bonds being issued.
- Unearned revenue consists of \$261.9 million of funds received from the US Treasury to fund COVID-related programs that has not been spent as of June 30, 2021.
- Interest expense on bonds and notes outstanding decreased \$2.7 million, or 7.3%, in FY 2021 from \$37.1 million in FY 2020 due to a lower weighted average interest rate on the bonds outstanding.
- The Authority performed an operating transfer of \$5.5 million from the Homeownership Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program.

#### Financial Highlights for FY 2020

- Total operating revenues increased 8.9% to \$147.1 million for FY 2020, from \$135.1 million in FY 2019. The main factor contributing to this increase was from program mortgage-backed securities (MBS).
- Total operating expenses increased 7.0% to \$84.0 million for FY 2020 from \$78.5 million in FY 2019. The primary components of the increase were from interest expense on an additional \$34.6 million in bonds and provision for loan loss.
- Net position of the Authority for FY 2020 was \$610.1 million, which represented an increase of \$63.1 million, or 11.5%, from the FY 2019 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$355.3 million at the end of FY 2020, which represented a decrease of \$43.8 million, or 11.0%, for FY 2020 from the FY 2019 level of \$399.1 million. In the last half of FY 2020, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans as long as bonds can be issued to finance these purchases; otherwise, the MBS will be sold to investors and will not become part of the portfolio.
- Investments were \$1,246.4 million at the end of FY 2020, which represented an increase of \$114.2 million, or 10.1%, from the FY 2019 total of \$1,132.2 million. The increase primarily related to additional MBS purchased in place of mortgage loans being issued as indicated in the previous paragraph.

## Management's Discussion and Analysis

June 30, 2021 and 2020 (Unaudited)

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- 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 \$69.4 million at the end of FY 2020 and \$50.9 million at the end of FY 2019.
- Interest income on mortgage loans was \$14.0 million for FY 2020, which represented a decrease of \$2.8 million from the \$16.8 million reported in FY 2019. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$45.7 million for FY 2020, which represented an increase of \$12.0 million, or 35.6%, in FY 2020 from \$33.7 million in FY 2019 due to the additional MBS's added in FY 2020 and the increase in short term interest rates for the first eight months of the fiscal year. The fair market value increased by \$47.9 million in FY 2020 and increased by \$49.1 million in FY 2019. The FY 2020 fair market increase was a result of interest rates plummeting at fiscal year-end. Ignoring the effects of the net increase in fair market value of investments, the change in net position would have been \$15.2 million for FY 2020 compared to \$7.5 million for FY 2019.
- Deferred outflows of resources from interest rate swaps at the end of FY 2020 increased to \$9.4 million from \$2.0 million at the end of FY 2019, or 370.0%. Deferred inflows of resources from interest rate swaps at the end of FY 2020 decreased to \$0.3 million from \$0.4 million at the end of FY 2019, or 25.0% (see Note 9).
- Bonds and notes outstanding of the Authority were \$1,318.6 million for FY 2020, which was an increase of \$34.6 million, or 2.7%, in FY 2020 from \$1,284.0 million in FY 2019 due to more bonds being issued during the year than bonds being redeemed or maturing.
- Interest expense on bonds and notes outstanding increased \$2.7 million, or 7.8%, in FY 2020 from \$34.4 million in FY 2019 as a result of the additional \$34.6 million in bonds outstanding.
- The Authority performed an operating transfer of \$1.5 million from the Homeownership Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. The Authority also refunded Single Family Mortgage bonds with Homeownership Mortgage bonds. This resulted in moving \$6.6 million in mortgage loans associated from the Single Family Indenture to the Homeownership Indenture.

### Loan Portfolio Activity for FY 2021 and FY 2020

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.

## Management's Discussion and Analysis

June 30, 2021 and 2020 (Unaudited)

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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 \$441 million of MBS's during FY 2021 compared to \$444 million in FY 2020.

The Homeownership Mortgage Loan Program purchased approximately \$444 million of MBS's during FY 2020 compared to \$409 million in FY 2019.

### 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 2021, the Authority had \$1,275.2 million in bonds outstanding, a 3.3% decrease from FY 2020. As of FY 2020, the Authority had \$1,318.6 million in bonds outstanding, a 2.7% increase from FY 2019.

The Authority issued a total of \$212.8 million in bonds in FY 2021 as new long-term debt. Of that amount, \$30.1 million was new money and used to finance the Homeownership Mortgage Loan Program and \$8.5 million for multifamily development. \$167.9 million was used to replacement refund existing bonds, and \$6.3 million was used to refund existing bonds. No bonds were issued to preserve bonding authority. The Authority issued a total of \$198.0 million in bonds in FY 2020. Of that total, \$101.7.6 million was issued as new long-term debt, and \$75.9 million was used to replacement refund existing bonds, and \$20.4 million was used to refund existing bonds. During FY 2021 and FY 2020, the Authority chose to convert \$266.8 and \$125.1 million, respectively, of bonding authority to MCC authority in another effort to support first-time homebuyers. No bonds were issued to preserve bonding authority.

The Authority retired or paid at maturity a total of \$257.4 million in bonds in FY 2021. \$248.2 million was redeemed from refundings, prepayments, and excess reserves and \$9.2 million was maturing principal. The Authority retired or paid at maturity a total of \$167.1 million in bonds in FY 2020. \$120.4 million was redeemed from refundings, prepayments, and excess reserves and \$46.7 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2021 and FY 2020, and rated Aaa by Moody's Investors Service in FY 2021 and FY 2020. In FY 2021 and FY 2020, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. The Authority's Single Family Mortgage Bonds were rated Aa2 in FY 2021 and FY 2020. 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.

### Capital Assets

Capital assets decreased by \$0.1 million in FY 2021 from \$5.1 million in FY 2020. This net change is due to the amortization of existing assets.

Capital assets did not change in FY2020 from \$5.1 million in FY 2019.

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

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## **Management's Discussion and Analysis**

### **June 30, 2021 and 2020 (Unaudited)**

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#### **Economic Outlook**

Economic conditions in South Dakota are relatively good in comparison to the rest of the nation due to prudent fiscal policy. The State of South Dakota operates on a balanced budget and the State's pension fund is 100.04% funded. The State's foreclosure rate of 0.26%, delinquency rate of 3.59%, and a shrinking unemployment rate since the onset of COVID 19 (currently 2.9%) are well below the national averages. These percentages, along with stable home prices, have all contributed to the success of the Authority over the past five years. Going forward, the Authority will try to maximize its return on investments and will continue to look for innovative ways to finance the Authority's Single and Multifamily programs.

#### **Overview**

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

## Statements of Net Position

As of June 30

<b>Assets</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 369,176,221	\$ 254,249,831
Investment securities - other (Note 3)	218,181,003	15,436,599
Investments - program mortgage-backed securities (Note 3)	148,514,661	107,669,853
Mortgage loans receivable, net (Note 4)	39,382,095	36,477,716
Interest receivable	4,412,512	4,676,979
Other receivables	1,034,624	642,137
Other assets	3,517,261	3,530,306
Hedging derivatives (Note 9)	34,894	416,456
<b>Total Current Assets</b>	<b>784,253,271</b>	<b>423,099,877</b>
<b>Noncurrent Assets</b>		
Investment securities - other (Note 3)	310,674,904	314,638,280
Investments - program mortgage-backed securities (Note 3)	742,395,126	808,669,323
Mortgage loans receivable, net (Note 4)	268,810,054	318,838,045
Line of credit receivable (Note 5)	44,807,586	69,356,379
Other receivables	1,341,018	1,350,438
Hedging derivatives (Note 9)	2,536,996	-
Furniture and equipment, at cost, less accumulated depreciation	946,828	900,589
Building, at cost, less accumulated depreciation	3,400,585	3,528,332
Land improvement, at cost, less accumulated depreciation	392,630	429,656
Land	220,409	220,409
<b>Total Noncurrent Assets</b>	<b>1,375,526,136</b>	<b>1,517,931,451</b>
<b>Total Assets</b>	<b>2,159,779,407</b>	<b>1,941,031,328</b>
<b>Deferred Outflows of Resources</b>		
Loss on refundings	2,681,621	2,879,230
Forward contracts (Note 9)	76,281	949,033
Swaps (Note 9)	4,762,572	9,401,201
Related to pensions (Note 14)	1,183,398	900,736
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 2,168,483,279</b>	<b>\$ 1,955,161,528</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bonds payable (Note 6)	\$ 50,392,055	\$ 51,582,439
Accrued interest payable	5,905,215	6,293,999
Unearned revenue	211,385,535	-
Accounts payable and other liabilities (Note 18)	1,148,954	2,085,490
Multifamily escrows and reserves	2,094,180	3,352,033
Hedging derivatives (Note 9)	76,281	-
<b>Total Current Liabilities</b>	<b>271,002,220</b>	<b>63,313,961</b>
<b>Noncurrent Liabilities</b>		
Bonds payable (Note 6)	1,224,759,010	1,266,953,681
Unearned revenue	50,531,253	-
Accounts payable and other liabilities (Note 18)	1,230,736	950,000
Hedging derivatives (Note 9)	4,762,572	10,350,234
<b>Total Noncurrent Liabilities</b>	<b>1,281,283,571</b>	<b>1,278,253,915</b>
<b>Total Liabilities</b>	<b>1,552,285,791</b>	<b>1,341,567,876</b>
<b>Deferred Inflows of Resources</b>		
Forward contracts (Note 9)	34,894	85,643
Gain on refundings	5,818,101	2,758,213
Swaps (Note 9)	2,536,996	330,813
Related to pensions (Note 14)	963,189	345,437
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>1,561,638,971</b>	<b>1,345,087,982</b>
<b>Net Position</b>		
Net investment in capital assets	(984,548)	(951,014)
Restricted for pension benefits	227,427	571,780
Restricted by state statute	14,066,639	14,446,160
Restricted by bond indentures	509,383,806	516,496,468
Restricted by HOME, HTF and NSP Program	84,150,984	79,510,152
<b>Total Net Position</b>	<b>606,844,308</b>	<b>610,073,546</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 2,168,483,279</b>	<b>\$ 1,955,161,528</b>

See Notes to Financial Statements

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

**For the Years Ended June 30**

<b>Operating Revenues</b>	<b>2021</b>	<b>2020</b>
Interest income on mortgage loans	\$ 11,039,610	\$ 14,014,087
Earnings on investments and program mortgage-backed securities	49,130,493	45,742,962
Net increase (decrease) in the fair market value of investments and program mortgage-backed securities	(22,458,654)	47,852,120
HUD contributions	33,012,711	30,895,572
US Treasury contributions/COVID	13,883,212	-
Fee, grant and other income	7,871,407	8,618,406
<b>Total Operating Revenues</b>	<b>92,478,779</b>	<b>147,123,147</b>
<b>Operating Expenses</b>		
Interest	34,420,581	37,044,804
HUD housing assistance payments	24,075,234	23,326,229
US Treasury housing assistance payments/COVID	13,883,212	-
Servicer fees	765,630	1,130,582
Arbitrage rebate (benefit)	(35,902)	52,299
General and administrative	7,320,648	7,128,679
Bond financing costs	2,755,227	2,461,368
Other housing programs	9,483,357	8,752,270
Provision for loan loss	3,040,030	4,081,180
<b>Total Operating Expenses</b>	<b>95,708,017</b>	<b>83,977,411</b>
Change in net position	(3,229,238)	63,145,736
Net position, beginning of fiscal year	610,073,546	546,927,810
<b>Net Position, End of Fiscal Year</b>	<b>\$ 606,844,308</b>	<b>\$ 610,073,546</b>

## Statements of Cash Flows

For the Years Ended June 30

	2021	2020
<b>Cash Flows Provided by Operating Activities</b>		
Receipts from loan payments and program mortgage-backed securities	\$ 338,752,528	\$ 449,745,343
Receipts for program fees	7,490,805	8,255,996
Receipts from federal housing programs	33,012,711	30,895,572
Receipts for US Treasury Housing Assistance/COVID	275,800,000	-
Payments for loan programs and program mortgage-backed securities	(206,319,005)	(444,950,440)
Payments for operating expenses	(4,014,141)	(3,722,284)
Payments to employees	(5,108,642)	(5,035,877)
Payments for federal housing programs	(24,075,234)	(23,326,229)
Payments for US Treasury Housing Assistance/COVID	(13,883,212)	-
Payments for other housing programs	(9,404,014)	(9,851,420)
<b>Net Cash Provided by Operating Activities</b>	<b>392,251,796</b>	<b>2,010,661</b>
<b>Cash Flows Used in Noncapital Financing Activities</b>		
Proceeds from sale of bonds	212,800,000	205,976,279
Principal paid on bonds	(257,347,568)	(167,077,939)
Interest paid on bonds and swaps	(38,027,289)	(39,935,348)
Bond issuance costs paid	(2,755,227)	(2,461,368)
<b>Net Cash Used in Noncapital Financing Activities</b>	<b>(85,330,084)</b>	<b>(3,498,376)</b>
<b>Cash Flows Used in Capital and Related Financing Activities</b>		
Purchase of capital fixed assets	(456,245)	(208,829)
Proceeds from sale of assets	4,752	4,683
Principal paid on bonds	(85,000)	(80,000)
Interest paid on capital debt	(13,077)	(96,005)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(549,570)</b>	<b>(380,151)</b>
<b>Cash Flows Provided by (Used in) Investing Activities</b>		
Purchase of investment securities	(651,771,893)	(285,981,502)
Proceeds from sale and maturities of investment securities	451,400,214	286,804,969
Interest received on investments	8,925,927	9,784,398
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(191,445,752)</b>	<b>10,607,865</b>
<b>Change in Cash and Cash Equivalents</b>	<b>114,926,390</b>	<b>8,739,999</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>254,249,831</b>	<b>245,509,832</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 369,176,221</b>	<b>\$ 254,249,831</b>
<b>Reconciliation of Operating Income (Loss) to Cash Flows Provided by Operating Activities</b>		
Operating income (loss)	\$ (3,229,238)	\$ 63,145,736
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Interest on bonds payable	34,420,581	37,044,804
Net decrease (increase) in fair market value of investments	22,458,654	(47,852,120)
Interest from investments	(9,124,608)	(10,078,479)
Bond financing costs	2,755,227	2,461,368
Provision for loan loss	3,040,030	4,081,180
Depreciation	427,482	393,537
Gain on sale of fixed assets	(4,752)	(4,683)
Changes in assets and liabilities:		
Loan interest receivable	430,088	380,766
Accounts payable and other liabilities	(520,092)	(81,091)
Mortgage loans receivable	44,083,582	39,714,196
Investments - program mortgage-backed securities	12,325,565	(66,548,653)
Unearned revenue	261,916,788	-
Line of credit receivable	24,548,793	(18,429,976)
Other receivables	(375,850)	(357,727)
Other assets	13,045	(242,103)
Related to pensions	344,354	458,449
Multifamily escrows and reserves	(1,257,853)	(2,074,543)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 392,251,796</b>	<b>\$ 2,010,661</b>
<b>Supplemental Disclosure of Noncash Investing and Financing Activities</b>		
Accounts payable incurred for capital assets	\$ -	\$ 135,708

See Notes to Financial Statements



## ***Notes to Financial Statements***

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### **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 \$324,995,000 for 2021. 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 Comprehensive Annual Financial Report of the State of South Dakota.

#### **Description of Reporting Entity:**

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

#### **General Operating Account:**

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

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

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

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

## **Notes to Financial Statements**

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### **Homeownership Mortgage Bonds:**

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

### **Single Family Mortgage Bonds:**

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

### **Multiple Purpose Bonds:**

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

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## **Note 2 - Significant Accounting Policies:**

### **Basis of Presentation:**

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

### **Basis of Accounting:**

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

## ***Notes to Financial Statements***

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### **Interest Income:**

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

### **Statements of Cash Flows:**

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

### **Investment Securities:**

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

### **Investments - Program Mortgage-Backed Securities:**

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

### **Fair Value:**

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

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

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

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

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

### **Mortgage Loans Receivable:**

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

## ***Notes to Financial Statements***

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### **Allowance for Loan Loss:**

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

### **Fee Income:**

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

### **Receivables:**

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

### **Bond Premiums, Discounts and Gains/Losses on Refundings:**

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

### **Bond Issuance Costs:**

Issuance costs on bonds are expensed as incurred.

### **Derivative Instruments:**

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

### **Real Estate Owned:**

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

## **Notes to Financial Statements**

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### **Capital Asset Policy:**

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

### **Inventory:**

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

### **Pensions:**

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

### **Arbitrage Rebate:**

The Authority is limited in the investment yield which it may retain for its own use on the non-mortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the federal government in accordance with applicable federal tax regulations. The Authority has recorded receivables/(liabilities) in the amount of (\$12,472) and (\$48,374) at June 30, 2021 and 2020, respectively, for arbitrage.

### **Escrows and Reserves:**

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

### **Revenue and Expense Recognition:**

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

### **Pass-Through Grants:**

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

## **Notes to Financial Statements**

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### **Use of Estimates:**

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

### **Net Position:**

Net position is classified in the following three components:

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

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### **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, 2021 and 2020, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

#### **Deposits:**

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled, either directly or indirectly, by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2021 and 2020, of the Authority's deposits of \$29,979,843 (carrying value of \$28,002,513) and \$14,332,031 (carrying value of \$13,754,129), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The \$171,845 and \$121,474 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2021 and 2020, 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.

## Notes to Financial Statements

### 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, 2021 and 2020, 61% and 75%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2021 and 2020, the Authority had investments maturing as follows:

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

	2020 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	\$ 91,609,699	\$ 10,247,301	\$ 51,967,617	\$ 29,394,781	\$ -
U.S. Agency obligations	1,144,322,644	1,362,724	61,976,656	17,796,944	1,063,186,320
Money market/mutual funds	240,374,228	240,374,228	-	-	-
Certificates of deposit	6,686,875	3,825,302	2,861,573	-	-
Corporate-backed obligations	764,373	-	21,922	736,357	6,094
State obligations	3,030,464	-	2,501,589	528,875	-
Total	<u>\$ 1,486,788,283</u>	<u>\$ 255,809,555</u>	<u>\$ 119,329,357</u>	<u>\$ 48,456,957</u>	<u>\$ 1,063,192,414</u>

## Notes to Financial Statements

At June 30, 2021 and 2020, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

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

  

	2020		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 36,552,354	\$ -	\$ 3,046,259
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	3,561,077	-	-
Debt service reserve	-	1,766,250	-
Total	<u>\$ 40,113,431</u>	<u>\$ 1,766,250</u>	<u>\$ 3,046,259</u>

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	2021		2020	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 341,001,863	19.4%	\$ 240,374,228	16.2%
Certificates of deposit	NR	2,805,589	0.2%	6,686,875	0.4%
Corporate-backed obligations	NR	1,331,171	0.1%	764,373	0.1%
US government agency securities	Aaa	11,568,609	0.7%	19,497,284	1.3%
US treasury securities	Aaa	337,260,779	19.2%	91,609,699	6.2%
State and municipal securities	A1 to Aaa	5,890,726	0.3%	3,030,464	0.2%
Mortgage-backed securities:					
GNMA	NR	698,548,074	39.7%	706,507,216	47.5%
FNMA	NR	339,492,579	19.3%	398,043,794	26.8%
FHLMC	NR	22,868,167	1.3%	20,274,350	1.4%
		<u>\$ 1,760,767,557</u>	<u>100.0%</u>	<u>\$ 1,486,788,283</u>	<u>100.0%</u>

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## **Notes to Financial Statements**

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### **Note 4 - Mortgage Loans Receivable:**

Mortgage loans receivable at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Homeownership Mortgage Loans	\$ 167,012,060	\$ 204,608,599
Single Family Mortgage Loans	36,600,934	51,557,053
Multiple Purpose Loans	16,430,097	12,935,664
Other (General Operating Account)	88,149,058	86,214,445
Total	<u>\$ 308,192,149</u>	<u>\$ 355,315,761</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 \$1,789,334 and \$2,131,705 as of June 30, 2021 and 2020, respectively.

Some loans receivable contain provisions for the loans to become grants if certain criteria is met. The conversion of loans receivable to grants is calculated on an annual basis, though the debtor is not entitled to receive full credit until maturity of the loan agreement or upon meeting certain criteria. As loans receivable converted to grants are estimated, loans receivable is credited and a charge to operations is made through the provision for loan loss. Loans receivable includes credits of \$20,426,844 and \$18,581,406 as of June 30, 2021 and 2020, 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, 2021 and 2020, is \$500,265 and \$1,005,581, respectively.

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### **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, 2022. As of June 30, 2021 and 2020, the balance of this line of credit receivable was \$44,807,586 and \$69,356,379, respectively.

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## 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	2021			2020
			Serial	Term (1)	Total Outstanding	Total Outstanding
2012 Series A	2026-2031	4.50%	\$ -	\$ 1,750	\$ 1,750	\$ 3,055
2012 Series B	2021-2026	2.55%-3.25%	3,290	5,925	9,215	12,030
2012 Series D	2021-2029	2.80%-4.0%	1,200	1,470	2,670	7,855
2012 Series E	2022-2025	2.80%	-	9,355	9,355	9,355
2012 Series F	2029-2033	3.375%	-	9,715	9,715	9,995
2013 Series A	2025-2030	3.00%	-	1,450	1,450	2,360
2013 Series B	2021-2025	2.3%-3.0%	5,410	-	5,410	6,950
2013 Series C	2030-2033	3.55%	-	4,665	4,665	5,105
2013 Series D	2043	3.25%-4.0%	-	16,629	16,629	24,072
2013 Series E	2032-2044	4.00%	-	2,495	2,495	3,750
2013 Series F	2021-2044	2.95%-4.0%	5,370	795	6,165	12,405
2014 Series A	2030-2044	4.00%	-	4,010	4,010	5,775
2014 Series B	2021-2024	2.70%-3.25%	4,875	-	4,875	6,800
2014 Series C	2024-2029	3.25%-3.85%	3,450	4,995	8,445	9,555
2014 Series D	2021-2028	2.25%-3.15%	14,710	3,320	18,030	25,005
2014 Series E	2030-2044	4.00%	-	5,590	5,590	7,915
2014 Series F	2021-2034	2.915%-4.0%	7,995	5,965	13,960	17,215
2015 Series A	2024-2025	2.5%-2.75%	4,540	-	4,540	4,540
2015 Series B	2021-2024	2.586%-3.272%	10,185	-	10,185	14,395
2015 Series C	2045	0.09%(2)	-	30,000	30,000	30,000
2015 Series D	2021-2045	1.95%-4.0%	595	10,825	11,420	22,430
2016 Series A	2021-2036	2.55%-3.8%	12,840	6,695	19,535	23,400
2016 Series B	2021-2046	1.45%-3.5%	9,105	22,540	31,645	39,565
2016 Series C	2021-2025	1.7%-2.45%	19,815	-	19,815	24,645
2016 Series D	2025-2046	2.45%-3.5%	6,065	29,395	35,460	55,660
2017 Series A	2021-2037	2.36%-3.89%	7,985	5,380	13,365	15,565
2017 Series B	2022-2047	1.75%-4.0%	25,800	64,450	90,250	101,015
2017 Series C	2021-2039	1.90%-4.0%	4,830	6,315	11,145	17,000
2017 Series D	2021-2047	1.55%-4.0%	23,180	61,395	84,575	108,665
2017 Series E	2021-2039	2.2%-4.0%	14,130	11,360	25,490	32,165
2017 Series F	2027-2032	2.6%-3.1%	12,385	3,680	16,065	19,350
2018 Series A	2021-2048	2.25%-4.0%	19,340	37,860	57,200	84,455
2018 Series B	2021-2048	2.35%-4.5%	22,545	43,535	66,080	90,250
2019 Series A	2021-2049	1.80%-4.0%	25,505	50,815	76,320	95,220
2019 Series B	2021-2049	1.15%-4.0%	32,315	56,620	88,935	96,895
2020 Series A	2021-2050	1.05%-3.75%	28,630	32,970	61,600	66,000
2020 Series B	2031-2041	0.03%(2)	-	33,000	33,000	33,000
2020 Series C	2021-2051	0.20%-3.50%	30,305	34,395	64,700	-
2020 Series D	2033-2043	0.04%(2)	-	33,000	33,000	-
2021 Series A	2021-2051	0.04%-3.0%	33,935	65,065	99,000	-
<b>Total</b>					<b>1,107,754</b>	<b>1,143,412</b>
2015 Series E	2027-2037	0.03%(2)	-	25,000	25,000	25,000
2016 Series E	2029-2037	2.32%(2)	-	50,000	50,000	50,000
<b>Total Direct Placements</b>					<b>75,000</b>	<b>75,000</b>
Plus unamortized premium					27,392	25,994
<b>Total Homeownership Mortgage Program Bonds</b>					<b>\$ 1,210,146</b>	<b>\$ 1,244,406</b>

(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.

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.

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## Notes to Financial Statements

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

Bond Issue	Maturity Date	Interest Rate	2021			2020
			Serial	Term (1)	Total Outstanding	Total Outstanding
2011-1/2009-1C	2021-2028	3.7%-5.0%	\$ 185	\$ 125	\$ 310	\$ 2,530
2011-2	2021-2023	3.125%-3.625%	4,885	-	4,885	8,465
2016-1	2021-2041	2.05-3.5%	6,665	17,935	24,600	31,180
Total					29,795	42,175
2009 1-B/1-D	2032-2041	2.47%	-	13,420	13,420	16,700
Total Direct Placements					13,420	16,700
Plus unamortized premium					350	500
Total Single Family Mortgage Bonds					\$ 43,565	\$ 59,375

(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	2021			2020
			Serial	Term (1)	Total Outstanding	Total Outstanding
2008 Series A	2048	n/a	\$ -	\$ -	\$ -	\$ 6,350
2009 Series A	2021-2048	0.15% (2)	-	5,945	5,945	6,030
2013 Series A	2021-2028	2.65-3.65%	630	150	780	2,375
2020 Series A	2021-2062	0.04% (2)	-	14,715	14,715	-
Total Multiple Purpose Bonds					\$ 21,440	\$ 14,755

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

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

Total Bonds Outstanding \$ 1,275,151      \$ 1,318,536

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2021 and 2020:

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

	Balance			Balance	Amounts Due
	July 1, 2019	Additions	Deductions		
Homeownership Mortgage Program Bonds	\$ 1,069,059,740	\$ 198,000,000	\$ 123,647,939	\$ 1,143,411,801	\$ 45,997,439
Homeownership Direct Placement Bonds	75,000,000	-	-	75,000,000	-
Single Family Mortgage Bonds	63,225,000	-	21,050,000	42,175,000	4,135,000
Single Family Direct Placement Bonds	37,740,000	-	21,040,000	16,700,000	-
Multiple Purpose Bonds	16,175,000	-	1,420,000	14,755,000	1,450,000
Unamortized Premium/Discount	22,838,924	7,976,301	4,320,906	26,494,319	-
	\$ 1,284,038,664	\$ 205,976,301	\$ 171,478,845	\$ 1,318,536,120	\$ 51,582,439

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## Notes to Financial Statements

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

Required principal and interest payments are as follows:

Year Ended June 30	Homeownership Mortgage Program Bonds		Homeownership Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 46,487,055	\$ 31,823,030	\$ -	\$ 1,160,000
2023	54,180,000	30,353,823	-	1,160,000
2024	55,295,000	29,260,377	-	1,160,000
2025	53,580,000	27,974,629	-	1,160,000
2026	43,575,000	26,781,481	-	1,160,000
2027-2031	196,005,000	118,253,683	20,475,000	5,593,694
2032-2036	181,400,000	89,930,096	45,105,000	2,768,572
2037-2041	125,080,000	68,268,270	9,420,000	98,194
2042-2046	229,882,178	44,302,790	-	-
2047-2051	121,345,000	9,300,688	-	-
2052-2056	925,000	13,875	-	-
Total	\$ 1,107,754,233	\$ 476,262,742	\$ 75,000,000	\$ 14,260,460

Year Ended June 30	Single Family Mortgage Bonds		Single Family Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 3,010,000	\$ 997,152	\$ -	\$ 280,798
2023	2,780,000	911,623	-	281,580
2024	1,940,000	824,938	-	281,580
2025	980,000	781,958	-	281,580
2026	1,300,000	754,763	-	283,144
2027-2031	11,065,000	2,922,003	-	1,406,336
2032-2036	2,535,000	1,544,430	4,500,000	1,212,897
2037-2041	7,420,000	825,528	6,250,000	512,074
2042-2046	785,000	13,186	650,000	8,117
2047-2051	-	-	-	-
2052-2056	-	-	-	-
2057-2061	-	-	-	-
2062-2066	-	-	-	-
Total	\$ 31,815,000	\$ 9,575,581	\$ 11,400,000	\$ 4,548,106

Year Ended June 30	Multiple Purpose Bonds	
	Principal	Interest
2022	\$ 895,000	\$ 38,959
2023	365,000	30,246
2024	420,000	29,687
2025	430,000	29,184
2026	450,000	28,660
2027-2031	2,605,000	121,123
2032-2036	2,875,000	91,394
2037-2041	3,410,000	72,243
2042-2046	4,050,000	49,163
2047-2051	2,785,000	24,121
2052-2056	1,300,000	14,192
2057-2061	1,440,000	6,709
2062-2066	415,000	437
Total	\$ 21,440,000	\$ 536,118

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## ***Notes to Financial Statements***

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### **Note 7 - Conduit Debt Obligations:**

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

As of June 30, 2021 and 2020, the aggregate principal amount of conduit debt outstanding totaled \$14,574,500 and \$28,569,500, respectively.

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### **Note 8 - Refunding of Debt:**

In September 2019, the Authority issued \$15,670,000 of fixed rate Homeownership Mortgage Bonds, 2019 Series B (the Refunding Bonds). The Refunding Bonds, totaling \$15,670,000, along with premium generated from the bond sale, were used to refund \$15,670,000 of Single- Family Mortgage Bonds, 2009 Series 1-B (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$7.3 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$1.7 million.

In February 2020, the Authority issued \$4,700,000 of fixed rate Homeownership Mortgage Bonds, 2020 Series A (the Refunding Bonds). The Refunding Bonds, totaling \$4,700,000, along with premium generated from the bond sale, were used to refund \$4,700,000 of Single- Family Mortgage Bonds, 2010 Series 1 (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately \$673,000. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$296,000.

During the year ended June 30, 2020, the Authority issued Homeownership Mortgage Bonds Series 2019B and 2020AB in the aggregate principal amount of \$99 million and \$99 million, respectively, of which \$26.1 million and \$49.8 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

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

## Notes to Financial Statements

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

### 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, 2021 and 2020, are contained in the table below. The initial notional amounts of the swaps match the initial principal amounts of the associated debt. Current notional amounts may or may not match the current principal outstanding on the debt, which could result in unhedged variable rate debt or making interest payments on debt no longer outstanding (see amortization risk). The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are, generally, ten years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective/Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	Fair Value June 30, 2021	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2021	Fair Value June 30, 2020	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2020
<b>Wells Fargo Bank</b>									
2015 E-1	25,000,000	12/17/2015 11/1/2037	2.11%	66.4% of LIBOR plus 0.22%	Aa1	\$ (1,125,561)	\$ 876,425	\$ (2,001,986)	\$ (1,488,208)
2015 E-2	25,000,000	12/17/2015 11/1/2037	66.4% of LIBOR plus 0.22%	22yr MMD plus 0.87%	Aa1	-	(96,510)	96,510	(14,174)
2016 E-1	50,000,000	11/1/2016 5/1/2037	2.21%	66.4% of LIBOR plus 0.23%	Aa1	(2,707,604)	1,958,917	(4,666,521)	(3,169,389)
2016 E-2	50,000,000	11/1/2016 5/1/2037	66.4% of 1M LIBOR plus 0.23%	21yrMMD plus 0.95%	Aa1	195,563	(38,740)	234,303	(97,417)
2020 D	33,000,000	5/1/2029 5/1/2043	0.928%	100% SIFMA	Aa1	1,998,861	1,998,861	-	-
MPB 2020 A	14,800,000	9/29/2020 11/1/2062	1.31%	100% SIFMA	Aa1	342,572	342,572	-	-
<b>Bank of New York Mellon</b>									
2020 B	-	2/12/2020 11/1/2041	1.6525%	100% SIFMA	Aa1	(929,407)	1,803,287	(2,732,694)	(2,732,694)
						<u>\$ (2,225,576)</u>		<u>\$ (9,070,388)</u>	

\*Moody's Investor Service

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## **Notes to Financial Statements**

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### **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, 2021 and 2020. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

### **Swap Risks:**

**Credit Risk:** The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure with its counterparties when the swap position has a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by Moody's and S&P, of each counterparty, in the case of the counterparties, or the hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2021 and 2020, neither the Authority nor any counterparty had been required to post collateral.

**Basis Risk:** The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds; but, under the terms of its swaps, the Authority receives a variable rate based upon either the one-month taxable London Interbank Offered Rate (LIBOR) rate or the Securities Industry and Financial Markets Association (SIFMA) rate. Basis risk will vary over time due to inter-market conditions. For the years ended June 30, 2021 and 2020, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.12% and 1.18% per annum, respectively, while the weighted average interest rate on the swaps was 1.21% and 1.28% per annum, respectively. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax-exempt rates and the applicable swap index.

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

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

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## Notes to Financial Statements

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

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

**Swap Payments and Associated Debt:** Variable-rate bond interest payments and net swap payments will vary during their term. Future debt service requirements of the variable-rate debt and net swap payments as of June 30, 2021, are as follows:

Year Ended June 30	Variable Rate Bond		Interest Rate	Total
	Principal	Interest	Swap - Net	
2022	\$ 175,000	\$ 1,191,675	\$ 1,418,150	\$ 2,784,825
2023	270,000	1,191,605	1,415,782	2,877,387
2024	320,000	1,191,509	1,412,006	2,923,515
2025	325,000	1,191,412	1,407,910	2,924,322
2026	340,000	1,191,311	1,403,686	2,934,997
2027-2031	22,455,000	5,744,710	6,655,672	34,855,382
2032-2036	73,760,000	2,881,134	4,814,367	81,455,501
2037-2041	44,880,000	147,957	1,953,997	46,981,954
2042-2046	8,270,000	10,888	442,191	8,723,079
2047-2051	1,765,000	5,676	245,516	2,016,192
2052-2056	1,300,000	3,676	159,968	1,463,644
2057-2060	1,855,000	1,361	67,725	1,924,086
	<u>\$ 155,715,000</u>	<u>\$ 14,752,914</u>	<u>\$ 21,396,970</u>	<u>\$ 191,864,884</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, 2021 and 2020.

### Mortgage-Backed Security (MBS) Forward Contracts

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



## Notes to Financial Statements

Outstanding forward sales contracts as of June 30, 2021, are as follows:

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

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## Notes to Financial Statements

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

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## Notes to Financial Statements

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2020	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2020	Moody's Credit Rating
<b>Bank of America Merrill Lynch</b>						
FNMA	\$ 1,600,000	4/15/2020	7/14/2020	2.50%	\$ (11,250)	A2
FNMA	1,200,000	4/17/2020	7/14/2020	2.50%	(7,500)	A2
FNMA	1,200,000	4/21/2020	7/14/2020	2.50%	(12,563)	A2
FNMA	1,000,000	4/29/2020	7/14/2020	2.50%	(5,000)	A2
FNMA	2,400,000	5/5/2020	7/14/2020	2.50%	(15,750)	A2
GNMA II	4,000,000	5/5/2020	7/21/2020	2.50%	(23,750)	A2
FNMA	1,200,000	5/7/2020	7/14/2020	2.50%	(8,438)	A2
GNMA II	1,200,000	5/11/2020	7/21/2020	2.50%	(13,313)	A2
FNMA	1,200,000	5/15/2020	8/13/2020	2.50%	(11,063)	A2
GNMA II	1,400,000	5/19/2020	8/20/2020	2.50%	(11,813)	A2
GNMA II	1,600,000	5/29/2020	8/20/2020	2.50%	(9,250)	A2
FNMA	2,000,000	6/5/2020	8/13/2020	2.50%	(24,063)	A2
FNMA	5,200,000	6/8/2020	7/14/2020	2.50%	(46,313)	A2
FNMA	1,200,000	6/9/2020	8/13/2020	2.50%	(7,875)	A2
FNMA	1,000,000	6/11/2020	9/14/2020	2.50%	(1,406)	A2
GNMA II	4,500,000	6/17/2020	7/21/2020	2.50%	(18,281)	A2
GNMA II	1,400,000	6/17/2020	8/20/2020	2.50%	(7,656)	A2
FNMA	(6,386,000)	6/25/2020	7/14/2020	2.50%	16,963	A2
GNMA II	(1,480,000)	6/25/2020	7/21/2020	2.50%	3,006	A2
GNMA II	1,800,000	6/26/2020	9/21/2020	2.50%	(5,063)	A2
<b>Bank of New York Mellon</b>						
GNMA II	2,400,000	4/22/2020	7/21/2020	2.50%	(15,750)	A1
FNMA	1,400,000	4/27/2020	7/14/2020	2.50%	(10,008)	A1
GNMA II	1,600,000	4/27/2020	7/21/2020	2.50%	(10,500)	A1
GNMA II	2,200,000	5/8/2020	7/21/2020	2.50%	(18,563)	A1
FNMA	1,400,000	5/28/2020	8/13/2020	2.50%	(14,000)	A1
FNMA	1,000,000	6/3/2020	8/13/2020	2.50%	(9,375)	A1
GNMA II	1,156,000	6/17/2020	7/21/2020	3.00%	(2,529)	A1
FNMA	(728,000)	6/25/2020	7/14/2020	2.50%	1,593	A1
GNMA II	(4,600,000)	6/25/2020	7/21/2020	2.50%	7,906	A1
<b>Bank of Oklahoma</b>						
GNMA II	1,000,000	4/23/2020	7/21/2020	2.50%	(4,883)	A3
FNMA	1,000,000	4/24/2020	7/14/2020	2.50%	(6,328)	A3
GNMA II	1,200,000	4/24/2020	7/21/2020	2.50%	(6,750)	A3
GNMA II	1,000,000	4/28/2020	7/21/2020	2.50%	(5,313)	A3
GNMA II	2,400,000	5/1/2020	7/21/2020	2.50%	(10,313)	A3
GNMA II	1,000,000	5/4/2020	7/21/2020	2.50%	(6,523)	A3
GNMA II	1,200,000	5/7/2020	7/21/2020	2.50%	(9,141)	A3
GNMA II	2,200,000	5/14/2020	7/21/2020	2.50%	(17,445)	A3
GNMA II	1,200,000	5/18/2020	7/21/2020	2.50%	(12,328)	A3
GNMA II	1,600,000	5/20/2020	8/20/2020	2.50%	(9,625)	A3
FNMA	1,000,000	5/21/2020	8/13/2020	2.50%	(9,375)	A3
GNMA II	2,400,000	6/1/2020	8/20/2020	2.50%	(11,625)	A3
FNMA	964,300	6/8/2020	7/14/2020	2.50%	(8,287)	A3
FNMA	752,935	6/8/2020	7/14/2020	3.00%	(1,559)	A3
GNMA II	1,400,000	6/10/2020	8/20/2020	2.50%	(4,102)	A3
FNMA	2,200,000	6/10/2020	9/14/2020	2.50%	(11,602)	A3
FNMA	1,000,000	6/15/2020	9/14/2020	2.50%	(4,688)	A3
GNMA II	1,291,000	6/17/2020	7/21/2020	2.50%	(5,043)	A3
GNMA II	100,000	6/17/2020	7/21/2020	3.00%	(168)	A3
FNMA	1,000,000	6/17/2020	9/14/2020	2.50%	(5,938)	A3
GNMA II	1,200,000	6/22/2020	9/21/2020	2.50%	(5,766)	A3
FNMA	1,800,000	6/24/2020	9/14/2020	2.50%	(7,594)	A3
FNMA	(530,000)	6/25/2020	7/14/2020	2.50%	1,408	A3
GNMA II	(4,800,000)	6/25/2020	7/21/2020	2.50%	9,750	A3
GNMA II	(6,100,000)	6/25/2020	7/21/2020	2.50%	19,063	A3

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## Notes to Financial Statements

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2020	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2020	Moody's Credit Rating
<b>Daiwa Capital Markets</b>						
GNMA II	2,800,000	5/13/2020	7/21/2020	2.50%	(24,938)	Not rated
GNMA II	1,600,000	5/21/2020	8/20/2020	2.50%	(11,000)	Not rated
GNMA II	1,600,000	5/28/2020	8/20/2020	2.50%	(12,250)	Not rated
GNMA II	1,400,000	6/9/2020	8/20/2020	2.50%	(6,344)	Not rated
GNMA II	1,200,000	6/11/2020	8/20/2020	2.50%	1,125	Not rated
GNMA II	1,600,000	6/12/2020	8/20/2020	2.50%	(2,000)	Not rated
GNMA II	1,200,000	6/17/2020	7/21/2020	3.00%	(2,625)	Not rated
FNMA	1,800,000	6/22/2020	9/14/2020	2.50%	(7,031)	Not rated
FNMA	1,200,000	6/23/2020	9/14/2020	2.50%	(5,250)	Not rated
GNMA II	2,800,000	6/24/2020	9/21/2020	2.50%	(15,313)	Not rated
GNMA II	(1,428,000)	6/25/2020	7/21/2020	2.50%	2,678	Not rated
<b>Jefferies</b>						
FNMA	600,000	4/16/2020	7/14/2020	3.50%	4,781	Baa3
GNMA II	1,000,000	4/20/2020	7/21/2020	2.50%	(7,656)	Baa3
GNMA II	1,600,000	4/29/2020	7/21/2020	2.50%	(6,750)	Baa3
FNMA	1,200,000	5/1/2020	7/14/2020	2.50%	(6,375)	Baa3
FNMA	1,600,000	5/12/2020	8/13/2020	2.50%	(16,500)	Baa3
FNMA	1,400,000	5/13/2020	8/13/2020	2.50%	(13,563)	Baa3
GNMA II	1,600,000	5/15/2020	7/21/2020	2.50%	(13,000)	Baa3
FNMA	1,000,000	5/20/2020	8/13/2020	2.50%	(9,219)	Baa3
FNMA	1,000,000	5/22/2020	8/13/2020	2.50%	(10,469)	Baa3
GNMA II	1,800,000	5/22/2020	8/20/2020	2.50%	(13,781)	Baa3
FNMA	1,400,000	5/27/2020	8/13/2020	2.50%	(11,484)	Baa3
GNMA II	3,600,000	5/27/2020	8/20/2020	2.50%	(22,500)	Baa3
GNMA II	2,400,000	6/2/2020	8/20/2020	2.50%	(10,500)	Baa3
GNMA II	3,600,000	6/5/2020	8/20/2020	2.50%	(36,000)	Baa3
GNMA II	1,400,000	6/15/2020	8/20/2020	2.50%	(4,156)	Baa3
GNMA II	8,565,000	6/17/2020	7/21/2020	2.50%	(36,134)	Baa3
GNMA II	1,000,000	6/17/2020	7/21/2020	3.00%	(2,188)	Baa3
GNMA II	3,800,000	6/19/2020	9/21/2020	2.50%	(23,453)	Baa3
GNMA II	2,000,000	6/23/2020	9/21/2020	2.50%	(10,313)	Baa3
FNMA	(684,000)	6/25/2020	7/14/2020	2.50%	1,817	Baa3
GNMA II	(3,376,000)	6/25/2020	7/21/2020	2.50%	6,858	Baa3
GNMA II	2,000,000	6/25/2020	9/21/2020	2.50%	(9,219)	Baa3
FNMA	1,000,000	6/29/2020	9/14/2020	2.50%	(938)	Baa3
GNMA II	2,600,000	6/29/2020	9/21/2020	2.50%	(6,094)	Baa3
<b>Piper Sandler</b>						
GNMA II	500,000	4/28/2020	7/21/2020	3.00%	(1,406)	Not rated
GNMA II	1,600,000	4/30/2020	7/21/2020	2.50%	(5,000)	Not rated
FNMA	1,000,000	5/8/2020	7/14/2020	2.50%	(7,031)	Not rated
GNMA II	2,400,000	5/12/2020	7/21/2020	2.50%	(25,875)	Not rated
FNMA	2,000,000	5/19/2020	8/13/2020	2.50%	(21,563)	Not rated
FNMA	1,200,000	6/1/2020	8/13/2020	2.50%	(9,375)	Not rated
GNMA II	3,200,000	6/3/2020	8/20/2020	2.50%	(21,000)	Not rated
GNMA II	2,000,000	6/16/2020	8/20/2020	2.50%	(7,031)	Not rated
GNMA II	1,600,000	6/18/2020	8/20/2020	2.50%	(5,500)	Not rated
FNMA	(410,000)	6/25/2020	7/14/2020	2.50%	961	Not rated
FNMA	1,600,000	6/26/2020	9/14/2020	2.50%	(2,741)	Not rated
<b>Bank of Montreal</b>						
GNMA II	(1,100,000)	6/25/2020	7/21/2020	3.00%	3,609	Aa2
<b>Citigroup Global Markets</b>						
GNMA II	(1,200,000)	6/25/2020	7/21/2020	3.00%	4,125	A1
	<u>\$ 122,807,235</u>				<u>(863,390)</u>	

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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, 2021:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>			
US Treasuries	\$ -	\$ 337,260,779	\$ -
US Government Agencies	-	1,071,471,450	-
Corporate-Backed Obligations	-	1,331,170	-
Money Market Mutual Funds	341,001,863	-	-
Certificates of Deposit	-	2,805,589	-
State Obligations	-	6,896,706	-
Total investments by fair value level	<u>\$ 341,001,863</u>	<u>\$ 1,419,765,694</u>	<u>\$ -</u>
<b>Hedging derivative instruments</b>			
Assets			
Interest Rate Swaps	\$ -	\$ 2,536,996	\$ -
Forward MBS Contracts	-	34,894	-
	<u>\$ -</u>	<u>\$ 2,571,890</u>	<u>\$ -</u>
Liabilities			
Interest Rate Swaps	\$ -	\$ (4,762,572)	\$ -
Forward MBS Contracts	-	(76,281)	-
	<u>\$ -</u>	<u>\$ (4,838,853)</u>	<u>\$ -</u>

The Authority had the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
<b>Investments by fair value level</b>			
US Treasuries	\$ -	\$ 91,609,699	\$ -
US Government Agencies	-	1,145,087,017	-
Money Market Mutual Funds	240,374,228	-	-
Certificates of Deposit	-	6,686,876	-
State Obligations	-	3,030,463	-
Total investments by fair value level	<u>\$ 240,374,228</u>	<u>\$ 1,246,414,055</u>	<u>\$ -</u>
<b>Hedging derivative instruments</b>			
Assets			
Interest Rate Swaps	\$ -	\$ 330,813	\$ -
Forward MBS Contracts	-	85,643	-
	<u>\$ -</u>	<u>\$ 416,456</u>	<u>\$ -</u>
Liabilities			
Interest Rate Swaps	\$ -	\$ (9,401,201)	\$ -
Forward MBS Contracts	-	(949,033)	-
	<u>\$ -</u>	<u>\$ (10,350,234)</u>	<u>\$ -</u>

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## Notes to Financial Statements

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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.

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### 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:

	2021	2020
Bond and notes reserve	\$ 3,118,523	\$ 3,230,105
Program operations reserve	1,531,100	3,532,995
Total	<u>\$ 4,649,623</u>	<u>\$ 6,763,100</u>

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### Note 12 - Commitments:

As of June 30, 2021, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$94,398,797.
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## Notes to Financial Statements

### Note 13 - Segment Information:

The Authority issues bonds to finance the purchase of single-family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the years ended June 30, 2021 and 2020, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2021			2020		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
<b>Condensed Statement of Net Position</b>						
Assets						
Interfund receivables (payables)	\$ (230,993,678)	\$ (11,978,136)	\$ (166,680)	\$ 17,273,788	\$ (9,668,695)	\$ (100,037)
Current assets	715,428,490	18,126,175	13,531,585	368,768,701	15,459,627	13,677,035
Noncurrent assets	1,173,509,697	38,051,381	78,547,847	1,309,130,221	53,754,625	71,396,731
Total Assets	1,657,944,509	44,199,420	91,912,752	1,695,172,710	59,545,557	84,973,729
Deferred Outflows of Resources	7,520,474	-	-	13,209,560	-	19,904
Total Assets and Deferred Outflows of Resources	\$ 1,665,464,983	\$ 44,199,420	\$ 91,912,752	\$ 1,708,382,270	\$ 59,545,557	\$ 84,993,633
Liabilities						
Current liabilities	\$ 52,287,159	\$ 3,230,184	\$ 915,556	\$ 52,053,807	\$ 4,447,272	\$ 1,488,348
Noncurrent liabilities	1,168,421,873	40,554,709	20,545,000	1,208,758,429	55,240,486	13,305,000
Total Liabilities	1,220,709,032	43,784,893	21,460,556	1,260,812,236	59,687,758	14,793,348
Deferred Inflows of Resources	8,047,419	-	342,572	3,174,669	-	-
Total Liabilities and Deferred Inflows of Resources	1,228,756,451	43,784,893	21,803,128	1,263,986,905	59,687,758	14,793,348
Net Position						
Net investment in capital assets	-	-	(2,151,123)	-	-	(2,043,019)
Restricted by bond indentures	436,708,532	414,527	72,260,747	444,395,365	(142,201)	72,243,304
Total Liabilities, Deferred Inflows, and Net Position	\$ 1,665,464,983	\$ 44,199,420	\$ 91,912,752	\$ 1,708,382,270	\$ 59,545,557	\$ 84,993,633
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>						
Operating revenues	\$ 34,909,960	\$ 2,059,384	\$ 629,754	\$ 99,041,560	\$ 3,741,859	\$ 4,588,205
Operating expenses	37,042,043	1,578,656	720,415	39,192,918	2,510,875	828,582
Operating income	(2,132,083)	480,728	(90,661)	59,848,642	1,230,984	3,759,623
Transfers in (out)	(5,554,750)	76,000	-	5,028,763	(6,578,013)	-
Change in net position	(7,686,833)	556,728	(90,661)	64,877,405	(5,347,029)	3,759,623
Beginning net position	444,395,365	(142,201)	70,200,285	379,517,960	5,204,828	66,440,662
Ending net position	\$ 436,708,532	\$ 414,527	\$ 70,109,624	\$ 444,395,365	\$ (142,201)	\$ 70,200,285
<b>Condensed Statement of Cash Flows</b>						
Net cash provided (used) by:						
Operating activities	\$ 369,774,298	\$ 19,102,564	\$ (2,855,343)	\$ (42,508,671)	\$ 44,441,371	\$ 1,395,859
Noncapital financing activities	(79,993,044)	(17,277,281)	6,461,491	47,755,390	(51,203,031)	(1,599,985)
Capital and related financing activities	-	-	(98,077)	-	-	(176,005)
Investing activities	(192,407,534)	1,455,422	(605,959)	6,450,846	(2,802,799)	3,153,115
Net change	97,373,720	3,280,705	2,902,112	11,697,565	(9,564,459)	2,772,984
Beginning cash and cash equivalents	224,580,557	8,517,983	4,346,786	212,882,992	18,082,442	1,573,802
Ending cash and cash equivalents	\$ 321,954,277	\$ 11,798,688	\$ 7,248,898	\$ 224,580,557	\$ 8,517,983	\$ 4,346,786

## **Notes to Financial Statements**

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### **Note 14 - Pension Plan:**

#### **Plan Information:**

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

#### **Benefits Provided:**

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

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

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

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

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

(continued on next page)



## Notes to Financial Statements

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, 2021, 2020, and 2019, were \$228,156, \$218,817, and \$198,403, 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, 2020 and 2019, SDRS is 100.04% and 100.09%, 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, 2020 and 2019, respectively, and reported by the Authority as of June 30, 2021 and 2020 are as follows:

	2021	2020
Proportionate share of total pension liability	\$ 20,427,344	\$ 19,381,454
Less proportionate share of net position restricted for pension benefits	20,434,561	19,397,935
Proportionate share of net pension liability (asset)	<u>\$ (7,217)</u>	<u>\$ (16,481)</u>

At June 30, 2021 and 2020, the Authority reported a liability (asset) of (\$7,217) and (\$16,481), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and 2019, 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, 2020, the Authority's proportion was 0.166171%, which was an increase of 7% or 0.010649 from its proportion measured as of June 30, 2019, of 0.1555219%, which was an increase of 0.8% or 0.0012379 from its proportion measured as of June 30, 2018, of 0.15428400%.

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$344,354, and \$458,447, respectively. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

(continued on next page)

## Notes to Financial Statements

At June 30, 2021, there is \$228,156 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, 2022.

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:	
2022	\$ (70,199)
2023	(65,669)
2024	4,561
2025	123,360
2026	-
Total	<u>\$ (7,947)</u>

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 64,648	\$ 7,460
Changes in assumption	569,213	233,350
Net difference between projected and actual earnings on pension plan investments	-	94,943
Changes in proportion and difference between Authority contributions and proportionate share of contributions	48,058	9,684
Authority contributions subsequent to the measurement date	218,817	-
Total	<u>\$ 900,736</u>	<u>\$ 345,437</u>

At June 30, 2020, there was \$218,817 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, 2021.

### Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3.0% after 25 years of service
Discount rate	6.50% net of plan investment expense
Future COLAS	1.41%

## Notes to Financial Statements

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period of June 30, 2011, to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	<u>100.0%</u>	

### Discount Rate:

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

## Notes to Financial Statements

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### Sensitivity of Asset to Changes in the Discount Rate:

The following presents the Authority's proportionate share of net pension liability (asset) as of June 30, 2021, 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)	\$ 2,799,623	\$ (7,217)	\$ (2,303,157)

### Pension Plan Fiduciary Net Position:

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

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### 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.

During 2020 and 2021, the world-wide coronavirus pandemic impacted national and global economies. The Authority's programs and services have not been materially interrupted. However, the pandemic is an ongoing situation. The Authority is presently working to assess the economic and social effects of the pandemic and the impact it will have on the Authority; but, as of the issuance date of these financial statements, the Authority cannot predict what effect the continuation of the pandemic could have on the Authority, its programs and its operations in the future.

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### 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, 2021 and 2020, the Authority managed its risks as follows:

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

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## Notes to Financial Statements

### Note 17 - Capital Assets:

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

	Beginning Balance			Ending Balance
	July 1, 2019	Increase	Decrease	June 30, 2020
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	4,359,828	344,537	41,651	4,662,714
Total capital assets depreciated	10,621,686	344,537	41,651	10,924,572
Total capital assets	10,842,095	344,537	41,651	11,144,981
Less accumulated depreciation for:				
Buildings	1,343,835	127,748	-	1,471,583
Land improvements	795,262	38,245	1,220	832,287
Furniture and equipment	3,570,717	231,839	40,431	3,762,125
Total accumulated depreciation	5,709,814	397,832	41,651	6,065,995
Capital assets, net	\$ 5,132,281	\$ (53,295)	\$ -	\$ 5,078,986

## **Notes to Financial Statements**

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### **Note 18 - Accounts Payable and Other Accruals:**

Payables at June 30, 2021 and 2020, were as follows:

	<b>2021</b>	<b>2020</b>
Accounts Payable		
Contractual/Forex	\$ 45,876	\$ 81,162
Travel/moving costs	15,964	15,998
Office/marketing	93,741	39,242
Capital assets	-	135,708
Maintenance	19,117	1,947
Cost of issuance	32,372	93,111
General	4,722	7,929
Prepaid sales	118,125	515,017
Excise/unemployment tax	12,614	19,340
Materials/tools	248,443	254,986
	<b>590,974</b>	<b>1,164,440</b>
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued vacation	598,074	635,003
Accrued payroll/taxes	180,520	171,909
Employee withholdings	774	1,149
Servicing fee	46,876	64,615
Arbitrage payable	12,472	48,374
	<b>2,379,690</b>	<b>3,035,490</b>
Total accounts payable and other liabilities	<b>2,379,690</b>	<b>3,035,490</b>
Current liabilities	<b>1,148,954</b>	<b>2,085,490</b>
Noncurrent liabilities	<b>\$ 1,230,736</b>	<b>\$ 950,000</b>

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### **Note 19 - Subsequent Events**

In August 2021, the Authority issued Homeownership Mortgage Bonds Series 2021BC in the aggregate principal amount of \$139.3 million, of which \$87.4 million of bond proceeds were used to refund previously issued bonds for the sole purpose of preserving volume cap already utilized for the issuance of the refunded bonds.

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# South Dakota Housing Development Authority

Required Supplementary Information

June 30, 2021

**Schedule of Authority's Contributions**

**As of June 30, 2021**

**South Dakota Retirement System**

Last 10 Fiscal Years  
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 228	\$ 218	\$ 198	\$ 192	\$ 201	\$ 198	\$ 178	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	228	218	198	192	201	198	178	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 3,803	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%			

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



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

**As of June 30, 2021**

**South Dakota Retirement System**

Last 10 Fiscal Years \*  
(Dollar amounts in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net pension liability (asset)	0.166171%	0.155522%	0.154284%	0.164311%	0.173927%	0.162348%	0.153799%	%	%	%
Authority's proportionate share of net pension liability (asset)	\$ (7)	\$ (16)	\$ (4)	\$ (15)	\$ 588	\$ (689)	\$ (1,108)	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 3,647	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ 2,760	\$ -	\$ -	\$ -
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.19%	-0.48%	-0.12%	-0.45%	17.57%	-22.94%	-40.14%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.04%	100.09%	100.02%	100.1%	96.89%	104.1%	107.3%			

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

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

**Changes from Prior Valuation**

The June 30, 2020 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2019 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

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

**Benefit Provision Changes**

Legislation enacted in 2020 established a Qualified Benefit Preservation Arrangement (QBPA) under Section 415(m) of the Internal Revenue Code (IRC). The QBPA is effective July 1, 2020, and pays a portion of SDRS benefits that are restricted by IRC Section 415(b). The total benefits paid from SDRS and the QBPA will be limited to the applicable 415(b) annual limit, unreduced for early commencement if Members retire prior to age 62, and actuarially increased for late retirement up to age 70 if Members retire after age 65. The Actuarial Valuation considers benefits payable from both SDRS and the QBPA.

Legislation enacted in 2020 also brought the assets and the liabilities of the South Dakota Department of Labor and Regulation Plan into SDRS effective July 1, 2020. With the exception of the accounting results presented in Section 6 of this report, all exhibits include the assets, liabilities, and member counts of the former Department of Labor and Regulation Plan Members.

**Actuarial Assumption Changes**

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that, if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2019, and exists again this year as of June 30, 2020. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.88% as of June 30, 2019, and is 1.41% as of June 30, 2020.

The changes in actuarial assumptions due to the 1.41% restricted maximum COLA decreased the Actuarial Accrued Liability by \$595 million, or 4.6% of the Actuarial Accrued Liability based on the 1.88% restricted maximum COLA.

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

**Actuarial Method Changes**

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



# South Dakota Housing Development Authority

Supplementary Information

June 30, 2021

**Supplemental Schedule of Net Position**

**As of June 30, 2021**

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 28,174,358	\$ 321,954,277	\$ 11,798,688	\$ 7,248,898	\$ 369,176,221
Investment securities - other	-	213,005,286	-	5,175,717	218,181,003
Investments - program mortgage-backed securities	-	148,500,337	14,324	-	148,514,661
Mortgage loans receivable, net	4,351,366	28,132,412	6,129,133	769,184	39,382,095
Interest receivable	89,412	3,801,284	184,030	337,786	4,412,512
Other receivables	1,034,624	-	-	-	1,034,624
Other assets	3,517,261	-	-	-	3,517,261
Hedging derivatives	-	34,894	-	-	34,894
<b>Total Current Assets</b>	<b>37,167,021</b>	<b>715,428,490</b>	<b>18,126,175</b>	<b>13,531,585</b>	<b>784,253,271</b>
<b>Noncurrent Assets</b>					
Investment securities - other	445,727	243,970,716	7,507,976	58,750,485	310,674,904
Investments - program mortgage-backed securities	-	742,323,522	71,604	-	742,395,126
Mortgage loans receivable, net	83,797,692	138,879,648	30,471,801	15,660,913	268,810,054
Line of credit receivable	-	44,807,586	-	-	44,807,586
Other receivables	7,217	1,333,801	-	-	1,341,018
Hedging derivatives	-	2,194,424	-	342,572	2,536,996
Furniture and equipment, net	810,607	-	-	136,221	946,828
Building, net	128,284	-	-	3,272,301	3,400,585
Land Improvement, net	7,275	-	-	385,355	392,630
Land	220,409	-	-	-	220,409
Due from (to) other funds	243,138,494	(230,993,678)	(11,978,136)	(166,680)	-
<b>Total Noncurrent Assets</b>	<b>328,555,705</b>	<b>942,516,019</b>	<b>26,073,245</b>	<b>78,381,167</b>	<b>1,375,526,136</b>
<b>Total Assets</b>	<b>365,722,726</b>	<b>1,657,944,509</b>	<b>44,199,420</b>	<b>91,912,752</b>	<b>2,159,779,407</b>
<b>Deferred Outflows of Resources</b>					
Loss on refunding	-	2,681,621	-	-	2,681,621
Forward contracts	-	76,281	-	-	76,281
Swaps	-	4,762,572	-	-	4,762,572
Related to pensions	1,183,398	-	-	-	1,183,398
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 366,906,124</b>	<b>\$ 1,665,464,983</b>	<b>\$ 44,199,420</b>	<b>\$ 91,912,752</b>	<b>\$ 2,168,483,279</b>

(continued on next page)

**Supplemental Schedule of Net Position**

**As of June 30, 2021**

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds payable	\$ -	\$ 46,487,055	\$ 3,010,000	\$ 895,000	\$ 50,392,055
Accrued interest payable	-	5,686,936	210,195	8,084	5,905,215
Unearned revenue	211,385,535	-	-	-	211,385,535
Accounts payable and other liabilities	1,089,606	36,887	9,989	12,472	1,148,954
Multifamily escrows and reserves	2,094,180	-	-	-	2,094,180
Hedging derivatives	-	76,281	-	-	76,281
<b>Total Current Liabilities</b>	<b>214,569,321</b>	<b>52,287,159</b>	<b>3,230,184</b>	<b>915,556</b>	<b>271,002,220</b>
<b>Noncurrent Liabilities</b>					
Bonds payable	-	1,163,659,301	40,554,709	20,545,000	1,224,759,010
Accounts payable and other liabilities	1,230,736	-	-	-	1,230,736
Unearned revenue	50,531,253	-	-	-	50,531,253
Hedging derivatives	-	4,762,572	-	-	4,762,572
<b>Total Noncurrent Liabilities</b>	<b>51,761,989</b>	<b>1,168,421,873</b>	<b>40,554,709</b>	<b>20,545,000</b>	<b>1,281,283,571</b>
<b>Total Liabilities</b>	<b>266,331,310</b>	<b>1,220,709,032</b>	<b>43,784,893</b>	<b>21,460,556</b>	<b>1,552,285,791</b>
<b>Deferred Inflows of Resources</b>					
Forward contracts	-	34,894	-	-	34,894
Gain on refunding	-	5,818,101	-	-	5,818,101
Swaps	-	2,194,424	-	342,572	2,536,996
Related to pensions	963,189	-	-	-	963,189
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>267,294,499</b>	<b>1,228,756,451</b>	<b>43,784,893</b>	<b>21,803,128</b>	<b>1,561,638,971</b>
<b>Net Position</b>					
Net investment in capital assets	1,166,575	-	-	(2,151,123)	(984,548)
Restricted for pension benefits	227,427	-	-	-	227,427
Restricted by statute	14,066,639	-	-	-	14,066,639
Restricted by bond indentures	-	436,708,532	414,527	72,260,747	509,383,806
Restricted by HOME, HTF and NSP Program	84,150,984	-	-	-	84,150,984
<b>Total Net Position</b>	<b>99,611,625</b>	<b>436,708,532</b>	<b>414,527</b>	<b>70,109,624</b>	<b>606,844,308</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 366,906,124</b>	<b>\$ 1,665,464,983</b>	<b>\$ 44,199,420</b>	<b>\$ 91,912,752</b>	<b>\$ 2,168,483,279</b>

**Supplemental Schedule of Operations and Changes in Net Position**

**For the Year Ended June 30, 2021**

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<b>Operating Revenues</b>					
Interest income on mortgage loans	\$ 94,742	\$ 8,353,234	1,896,547	\$ 695,087	\$ 11,039,610
Earnings on investments and program mortgage-backed securities	112,319	47,185,259	279,679	1,553,236	49,130,493
Net increase in fair value of investments and program mortgage-backed securities	(10,162)	(20,628,533)	(116,842)	(1,703,117)	(22,458,654)
HUD contributions	33,012,711	-	-	-	33,012,711
US Treasury contributions/COVID	13,883,212	-	-	-	13,883,212
Fee, grant and other income	7,786,859	-	-	84,548	7,871,407
<b>Total Operating Revenues</b>	<b>54,879,681</b>	<b>34,909,960</b>	<b>2,059,384</b>	<b>629,754</b>	<b>92,478,779</b>
<b>Operating Expenses</b>					
Interest	-	32,842,133	1,354,823	223,625	34,420,581
Housing assistance payments HUD	24,075,234	-	-	-	24,075,234
Housing assistance payments/COVID	13,883,212	-	-	-	13,883,212
Servicer fees	-	586,178	179,452	-	765,630
Arbitrage rebate expense (benefit)	-	(32,239)	-	(3,663)	(35,902)
General and administrative	5,938,066	1,066,826	9,148	306,608	7,320,648
Bond financing costs	-	2,551,562	100,000	103,665	2,755,227
Other housing programs	9,423,177	-	-	60,180	9,483,357
Provision for loan loss	3,047,214	27,583	(64,767)	30,000	3,040,030
<b>Total Operating Expenses</b>	<b>56,366,903</b>	<b>37,042,043</b>	<b>1,578,656</b>	<b>720,415</b>	<b>95,708,017</b>
<b>Net Income (Loss) Before Interfund Transfers</b>	<b>(1,487,222)</b>	<b>(2,132,083)</b>	<b>480,728</b>	<b>(90,661)</b>	<b>(3,229,238)</b>
<b>Interfund Transfers</b>	<b>5,478,750</b>	<b>(5,554,750)</b>	<b>76,000</b>	<b>-</b>	<b>-</b>
<b>Changes in Net Position</b>	<b>3,991,528</b>	<b>(7,686,833)</b>	<b>556,728</b>	<b>(90,661)</b>	<b>(3,229,238)</b>
<b>Net Position, Beginning of Fiscal Year</b>	<b>95,620,097</b>	<b>444,395,365</b>	<b>(142,201)</b>	<b>70,200,285</b>	<b>610,073,546</b>
<b>Net Position, End of Fiscal Year</b>	<b>\$ 99,611,625</b>	<b>\$ 436,708,532</b>	<b>\$ 414,527</b>	<b>\$ 70,109,624</b>	<b>\$ 606,844,308</b>

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
2020 Series CD	8/12/2020	various	\$ 42,732,038	\$ -	\$ 42,732,038
2021 Series A	2/11/2021	various	41,840,828	-	41,840,828
			<u>\$ 84,572,866</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	240	9,656,964
Total	<u>240</u>	<u>\$ 9,656,964</u>

TABLE IV

## Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	24	\$ 1,744,160	6.375%	4	354,461
3.850%	2	212,528	6.400%	23	650,762
4.125%	6	443,643	6.450%	11	157,601
4.250%	9	694,453	6.600%	155	3,947,788
4.375%	-	-	6.625%	1	8,699
4.500%	34	2,354,129	6.650%	3	140,217
4.600%	1	52,765	6.750%	38	547,284
4.625%	2	101,834	6.850%	28	303,630
4.750%	491	25,174,912	6.890%	16	429,753
4.850%	54	3,828,571	6.900%	7	118,333
4.950%	484	22,990,100	6.950%	11	281,487
5.000%	22	1,524,691	7.050%	32	871,041
5.125%	79	4,621,172	7.110%	-	-
5.150%	91	4,447,196	7.125%	37	909,846
5.250%	172	9,979,811	7.250%	-	-
5.375%	98	5,757,430	7.300%	32	385,387
5.425%	16	964,651	7.360%	16	232,882
5.450%	12	614,469	7.400%	5	95,421
5.500%	320	17,420,411	7.450%	11	265,479
5.625%	22	1,427,788	7.550%	3	80,160
5.750%	45	2,563,389	7.600%	3	106,093
5.850%	59	3,720,470	7.625%	7	118,874
5.950%	323	11,691,210	7.650%	6	15,033
6.000%	57	2,465,185	7.875%	1	39,556
6.125%	11	882,420	7.950%	-	-
6.150%	2	122,164	8.100%	10	121,941
6.250%	20	897,616	8.250%	1	6,499
				2,917	\$ 136,885,395



TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor		Percent of Principal Amount
FHA		32.87%
VA		4.59%
USDA Rural Development		40.06%
Private Mortgage Insurance		
Mortgage Guaranty Insurance Company	0.15%	
Genworth	0.03%	
PMI	0.02%	
United Guaranty Insurance	0.01%	
CMG Mortgage Insurance Company	0.00%	
Total PMI Insured Mortgage Loans		0.21%
Total Insured Mortgage Loans		77.73%
Uninsured		22.27%
	Total All Mortgage Loans	100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
Great Western	\$ 96,555,006
Bankwest	4,420,609
CorTrust Mortgage	29,505,757
First Bank & Trust	6,404,023
	\$ 136,885,395

**TABLE VII**

**Homeownership Mortgage Loan Delinquencies and Foreclosures**

	Homeownership Program		NIBP Program	
	As of 6/30/2021	As of 6/30/2020	As of 6/30/2021	As of 6/30/2020
31-60 Days (one payment) Delinquent	3.90%	4.47%	2.47%	2.55%
61-90 Days (two payments) Delinquent	0.90%	1.36%	0.53%	0.54%
91 Days or More (three or more payments) Delinquent	2.36%	1.27%	0.89%	0.67%
Total Delinquent	7.16%	7.10%	3.89%	3.76%
In Foreclosure	0.28%	0.56%	0.89%	0.81%

**Table VIII**

**Valuation of Assets**

Value of Principal Assets of Homeownership Program	\$ 1,504,009,711
Amount of Outstanding Homeownership Bonds	\$ 1,182,754,233
Parity Calculation	115.24%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 54,606,099
Amount of Outstanding Single Family Bonds	\$ 43,215,000
Parity Calculation	126.36%
Parity Requirement	100.00%
Value of Principal Assets of Multi Purpose Program	\$ 24,534,067
Amount of Outstanding Multi Purpose Bonds	\$ 21,440,000
Parity Calculation	114.43%
Parity Requirement	100.00%

**Table IX**

**Special Program Fund of the Authority**

Homeownership Program	\$ 125,441,299
Single Family Program	\$ -
Multi-Purpose Program	\$ 55,389,461

Table X

## Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2021:

Development	Location	Number of Units	Twelve Month		Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans	
			Occupancy Average (2)					Amount (3)	Interest Rate
Old Main	Canton	26	NA %	\$	428,062	\$ -	- %	\$ -	%
Sagewood	Yankton	10	NA		227,825	-	-	-	
South Sycamore Estates	Sioux Falls	16	NA		695,690	218,309	0.00	-	
Edmonton Heights	Gregory	16	NA		524,000	-	-	199,486	3.00
Pheasant Valley Courtyard	Milbank	60	95.8		1,556,000	662,006	5.00	-	
Homestead Heights	Bison	16	NA		355,400	-	-	-	
JARD Apartments	Sisseton	16	NA		343,960	-	-	-	
Canterbury House	Sioux Falls	50	NA		1,278,200	-	-	-	
Lynlo Heights	Armour	20	100.0		462,900	-	-	161,498	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)	79.4		3,094,600	-	6.78	937,148	2.50
Dakota Square	Aberdeen	55	79.4		1,730,300	-	-	-	2.50
Majestic View Townhouses	Hot Springs	20	79.6		596,630	-	-	181,571	4.25
Senechal Apts	Philip	16	93.3		520,000	-	-	-	2.25
Riverview Townhouses	Philip	10	70.0		320,000	-	-	-	3.85
Gateway I Apts	Kadoka	16	NA		479,000	-	-	-	
The Sherman	Aberdeen	51	97.7		1,950,000	-	8.50	-	
Parkview Apts	Madison	28	57.8		890,000	-	8.50	-	2.00
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	42,632	3.00	-	
Sir Charles	Yankton	34	NA		1,184,200	-	-	-	
Timberland	Lead	24	94.1		85,300	-	-	986,495	3.75-5.00
Collins Apts	Sioux Falls	23	99.7		670,000	-	9.65	-	
Baha Townhouses	Sioux Falls	21	98.8		778,900	-	9.65	-	
Hospitality Apts	Sioux Falls	22	15.3		461,599	18,462	9.65	-	
Whiting Court	Yankton	17	90.7		601,284	-	-	-	
Prairie West	Lemmon	24	59.1		630,900	15,170	9.65	-	
Sun Rise Apts	Aberdeen	27	90.8		474,500	36,980	9.65	-	
Cedar Apts	Brookings	32	48.2		1,068,800	-	-	-	
The Lidi II	Tyndall	10 (1)	95.8		255,000	-	9.65	-	
Gold Mountain Apt.	Lead	20	92.1		272,490	217,008	9.65	151,567	0.00
Calypso Court	Chamberlain	16	81.3		550,000	-	-	-	
Riverview Park	Sioux Falls	50	95.7		1,873,700	-	-	-	
Olive Grove Apts	Sioux Falls	19	95.2		601,271	-	-	-	
Sunnycrest	Sioux Falls	222	97.3		7,320,000	5,792,689	3.55-4.65	-	
Sunnycrest	Sioux Falls	60	0.0		8,500,000	3,843,073	1.31	-	
					<u>\$ 58,073,351</u>	<u>\$ 10,846,329</u>		<u>\$ 2,617,765</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, 2021.

(3) Amounts are balances as of June 30, 2021.

**Table XI****Liquidity Providers**

The following table sets forth certain information relating to liquidity providers for variable interest rate bonds issued and outstanding as of June 30, 2021.

<u>Series of Bonds</u>	<u>Liquidity Provider</u>	<u>Liquidity Provider Rating (Moody's/S&amp;P)</u>	<u>Expiration Date</u>	<u>Bonds Outstanding</u>
2015 Series C	The Authority	Aa3/NR	11/1/2045	\$ 30,000,000
2020 Series B	The Authority	Aa3/NR	11/1/2041	\$ 33,000,000
2015 Series E	FHLB of Des Moines	Aaa/AA+	12/10/2025	\$ 25,000,000
2020 Series D	FHLB of Des Moines	Aaa/AA+	8/12/2026	\$ 33,000,000

Table XII

## Outstanding Guaranteed Mortgage Securities as of June 30, 2021

Pass Through Rate	Principal Amount	Pass Through Rate	Principal Amount
1.675	\$ 183,596	3.150	1,738,057
1.800	920,241	3.175	5,088,715
1.925	1,998,484	3.250	437,178
2.000	37,341,584	3.275	3,307,137
2.025	1,094,244	3.300	12,573,693
2.030	111,269	3.375	125,092
2.050	368,523	3.400	50,945
2.175	8,128,668	3.425	8,939,701
2.232	20,401	3.500	93,254,581
2.250	3,341,143	3.525	2,410,376
2.275	1,607,215	3.550	16,794,318
2.280	562,861	3.650	1,373,863
2.300	27,803,451	3.675	8,676,973
2.400	182,626	3.775	1,324,705
2.425	27,999,228	3.800	5,363,017
2.500	247,536,793	3.925	3,336,631
2.525	1,939,941	4.000	56,890,059
2.530	197,481	4.050	1,537,367
2.550	4,728,218	4.175	6,657,809
2.625	378,069	4.275	97,939
2.650	399,544	4.300	7,494,498
2.675	6,834,557	4.425	5,362,196
2.750	1,484,664	4.450	80,720
2.775	1,868,582	4.500	3,765,031
2.780	97,793	4.550	1,658,894
2.800	6,521,536	4.575	53,801
2.875	62,544	4.625	55,251
2.900	677,435	4.675	601,425
2.925	26,516,216	4.800	1,225,984
3.000	171,755,437	5.000	60,848
3.025	3,846,652	5.250	35,865
3.050	12,847,025	5.500	215
3.125	54,226		
		Total	<u>\$ 849,783,131</u>