NORTH DAKOTA HOUSING FINANCE AGENCY
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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BradyMartz

INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency's basic financial statements as listed in the table of contents.

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 the business-type activities of the North Dakota Housing Finance Agency, as of June 30, 2021 and 2020, and the changes in financial position and cash flows thereof, and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements of the North Dakota Housing Finance Agency are intended to present the net position, revenues, expenses and cash flows of only that portion of the financial statement of the State of North Dakota that is attributable to the transactions of the North Dakota Housing Finance Agency. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2021 and 2020, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions – pension, schedule of employer's share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information, as listed in the table of contents 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 the North Dakota Housing Finance Agency's basic financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the *Uniform Financial Report Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Combining Statements of Net Position, Combining Statements of Revenues, Expenses and Changes in Fund Net Position, Combining Statements of Cash Flows, Housing and Urban Development Section 8 Financial Data Schedule, Adjusted Net Worth Calculation, Insurance Coverage Schedule, Capital Requirement Calculation, Liquid Asset Requirement Calculation and the Schedule of Expenditures of Federal Awards and related notes 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 5, 2021 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 5, 2021

The discussion and analysis of the financial performance of the North Dakota Housing Finance Agency (Agency) that follows is meant to provide additional insight into the Agency's activities for the years ended June 30, 2021 and 2020. Please read it in conjunction with the Agency's financial statements and footnotes, which are presented within this report.

North Dakota Housing Bonds issued by North Dakota Housing Finance Agency are mortgage revenue bonds that are neither a general nor a moral obligation of the state but are a general obligation of the Agency.

Financial Highlights

In FY2021, mortgage loans receivable decreased $62,114 to $1,223,970. This included $346,809 of new loans purchased, $44,327 of Loans securitized into an MBS, $364,618 of repaid principal on mortgage loans and an increase in loan premiums of $44 and decrease in mortgage loan loss reserve of $23.

In FY2020, mortgage loans receivable increased $87,712 to $1,286,084. This included $298,766 of new loans purchased, $37,346 of Loans securitized into an MBS, $177,760 of repaid principal on mortgage loans and an increase in loan premiums of $4,111 and decrease in mortgage loan loss reserve of $59

In FY2021, Bonds Payable increased $13,227 from the FY2020 Bonds Payable to $1,345,207. This included the issuance of $262,289 new Bonds, $250,499 Bonds being called or maturing and a net increase in Bond premiums of $1,437. See Note 11 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

In FY2020, Bonds Payable increased $69,584 from the FY2019 Bonds Payable to $1,331,980. This included the issuance of $180,000 new Bonds, $109,720 Bonds being called or maturing and a net decrease in Bond premiums of $695. See Note 11 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

The Agency borrowed $17,289 from the Federal Home Loan Bank (FHLB) and repaid the entire principal plus interest during FY 2021. The Agency did not draw on the Bank of North Dakota (BND) line of credit during FY2021, however it remained available to the Agency. The beginning and ending balances were $0 for both FHLB and BND.

The Agency borrowed $13,566 from the Federal Home Loan Bank (FHLB) and repaid the entire principal plus interest during FY 2020. The Agency did not draw on the Bank of North Dakota (BND) line of credit during FY2020, however it remained available to the Agency. The beginning and ending balances were $0 for both FHLB and BND.

The Agency's FY2021 net position increased $6,191 to $216,911 as a result of the year's program operations and financing activities.

The Agency's FY2020 net position increased $15,476, to $210,720 as a result of the year's program operations and financing activities.

FY2021 Income Before Transfers of $6,224 was lower than FY2020 by $9,296 as a result of lower mortgage interest rates on new loans. In addition, investment rates have reached near 0% on certain investment contracts. The Agency also had lower gains on sales of GNMA securities coupled with the one-time Class Action Settlement of $1.1 million received in the prior year. Fair value of investments decreased along with an increase in Pension Expense, Bond Admin Expense, and SRP Amortization Expense. Mortgage and investment rates are at or near an all-time low.

FY2020 Income Before Transfers of $15,520 was higher than FY2019 by $3,519 as a result of receiving approximately $1.1 million in a Class Action Settlement with regards to LIBOR manipulation along with higher Mortgage interest income and gains from the sale of Mortgage-Backed Securities. This was partially offset by higher Bond Interest Expense. Administrative and Operating expenses also decreased by approximately $700 thousand.

Operating revenues in FY2021 of $49,999 were down $8,107 as a result of lower mortgage and investment rates than in prior years. The Agency continues to fund mortgage loans at a fast pace, however these mortgage loans carry a lower interest rate. In addition, Prepayments on the outstanding mortgage loans have been at a very high rate. Between new loans funded and older loans paying off, the Agency's portfolio stayed fairly even from last year to this year, however the interest rates are substantially lower on the new loans than those that are paying off early.

Operating revenues in FY2020 of $58,106 were up $8,725 as a result of higher mortgage interest income due to a larger mortgage loan receivable balance. Also, Investment interest rates were slightly higher due to Debt Service Reserve funds being invested in Mortgage Backed Securities which have typically earned higher rates of interest than currently available GICs and Money Market accounts.

Operating expenses for FY2021 of $44,296 were up $1,255 from the FY2020 Operating expenses as a result of higher Pension expense, Bond Admin Expenses and higher SRP Amortization Expenses than incurred in the prior year. The decrease in Interest Expense was somewhat offset by an increase in Administrative and Operating Expenses.

Operating expenses for FY2020 of $43,041 were up $5,198 from the FY2019 Operating expenses due to higher interest expenses with regards to a larger Bonds Payable balance. Also, Administrative and operating expenses were lower than the prior year.

Overview of the Financial Statements

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The financial statements of the Agency provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses and Changes in Net Position summarizes the Agency's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Agency.

Condensed Statements of Net Position
June 30, 2021, 2020 and 2019
(In Thousands)

	2021	2020	2019	Change	Percentage
ASSETS					
Unrestricted current assets	$ 15,456	$ 12,971	$ 9,707	$ 2,485	19 %
Restricted current assets	340,876	269,627	270,883	71,249	26
Total current assets	356,332	282,598	280,590	73,734	26
Unrestricted noncurrent assets	6,104	5,624	5,334	480	9
Restricted noncurrent assets	1,247,384	1,300,543	1,212,551	(53,159)	(4)
Total noncurrent assets	1,253,488	1,306,167	1,217,885	(52,679)	(4)
Total assets	$ 1,609,820	$ 1,588,765	$ 1,498,475	$ 21,055	1 %
DEFERRED OUTFLOWS OF RESOURCES					
Total deferred outflows of resources	$ 14,508	$ 17,478	$ 9,614	$ (2,970)	(17) %
LIABILITIES					
Current liabilities	$ 75,177	$ 70,638	$ 73,289	$ 4,539	6 %
Noncurrent liabilities	1,331,017	1,323,393	1,239,221	7,624	1
Total liabilities	$ 1,406,194	$ 1,394,031	$ 1,312,510	$ 12,163	1 %
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	$ 1,223	$ 1,492	$ 335	$ (269)	(18) %
NET POSITION					
Invested in capital assets	$ 11	$ 17	$ 13	$ (6)	(35) %
Restricted for debt service	201,116	196,441	183,913	4,675	2
Unrestricted	15,784	14,262	11,318	1,522	11
Total net position	$ 216,911	$ 210,720	$ 195,244	$ 6,191	3 %

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2021, 2020 and 2019
(In Thousands)

	2021	2020	2019	Change	Percentage
OPERATING REVENUES					
Mortgage interest income	$ 42,335	$ 46,858	$ 40,728	$ (4,523)	(10) %
Investment income	3,292	5,661	5,460	(2,369)	(42)
Gain on sale of investment	422	2,212	79	(1,790)	(81)
Fee income	3,950	3,375	3,114	575	17
Total revenues	49,999	58,106	49,381	(8,107)	(14) %
OPERATING EXPENSES					
Interest expense	32,069	33,055	27,159	(986)	(3) %
Agency grants	231	249	231	(18)	(7)
Administrative and operating expenses	7,019	5,520	6,219	1,499	27
Salaries and benefits	3,822	3,710	3,570	112	3
Pension expense	1,127	476	636	651	137
OPEB expense	22	24	23	(2)	-
Depreciation	6	7	5	(1)	(14)
Total expenses	44,296	43,041	37,843	1,255	3 %
OPERATING INCOME	5,703	15,065	11,538	(9,362)	(62) %
NONOPERATING REVENUES (EXPENSES)					
Federal grants	16,233	13,490	14,868	2,743	- %
Non-federal grants	464	-	2	464	-
Investment income	57	455	461	(398)	(87)
Federal grants	(16,233)	(13,490)	(14,868)	(2,743)	-
	521	455	463	66	15 %
INCOME BEFORE TRANSFERS	6,224	15,520	12,001	(9,296)	(60) %
TRANSFERS					
Transfer from Human Services - Landlord Risk Mitigation	-	-	150	-	-
Transfers to Industrial Commission	(33)	(44)	(38)	11	(25)
CHANGE IN NET POSITION	6,191	15,476	12,113	(9,285)	(60) %
TOTAL NET POSITION, BEGINNING OF YEAR	210,720	195,244	183,131	15,476	8 %
TOTAL NET POSITION, END OF YEAR	$ 216,911	$ 210,720	$ 195,244	$ 6,191	3 %

Operating interest income is comprised of the sum of interest earnings on funds held in trust for the Home Mortgage Finance Program. These funds are invested in investment contracts as reported in Notes 2 and 3 to the financial statements.

FY2021 Operating interest income of $3,292 was down $2,369 from the prior year as a result of very low investment rates on GIC's and Money Market deposits. In an attempt to offset these low rates, the Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts. The interest earned on these Non-purpose investments is considered investment income rather than mortgage loan interest. Also, the Agency securitizes mortgage loans with GNMA and keeps these securities as Debt Service Reserve investments. The mortgages backing these securities have been paying off at a very high rate resulting in the Agency's DSR securities becoming cash invested at low rates instead of remaining as GNMA securities earning a higher rate.

FY2020 Operating interest income of $5,661 was up $201 from the prior year as a result of more dollars invested throughout the year with regards to bond funds along with slightly higher interest rates due to more Debt Service Reserve funds being invested in MBS's. In addition, due to low investment contract rates, the Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts.

Non-operating interest income represents earnings on the Agency investments, excluding the Homeownership funds. These funds are invested in mortgage-backed securities or the Bank of North Dakota money market and demand accounts. The FY2021 Non-Operating Interest Income of $463 was mostly consistent with the prior year being up $8 from FY2020.

Non-operating interest income represents earnings on the Agency investments, excluding the Homeownership funds. These funds are invested in US Treasury securities, mortgage backed securities or the Bank of North Dakota money market and demand accounts. The FY2020 Non-Operating Interest Income of $455 was mostly consistent with the prior year being down $6 from FY2019.

Outlook

NDHFA continues to be successful in obtaining taxable and tax-exempt bond financing to purchase mortgage loans by implementing various bond structures including issuing fixed rate and variable rate bonds and entering Interest Rate SWAP agreements. The structure depends on current rates available in both the bond market and the mortgage loans. The Agency continues to monitor the markets to determine if GNMA eligible loans should be securitized into an MBS or if bond financing is the better option.

NDHFA continues to expand the ROOTS program allowing a larger number of families to enjoy the benefits of North Dakota Housing Finance Agency's affordable rates. The ROOTS program continues to grow and the First Home Program continues to be robust. Currently, both programs are being utilized at a high level. In contrast to the near record level production the Agency is experiencing which builds their loan portfolio, Prepayments made by borrowers have been coming in at a near record pace reducing the portfolio at nearly the same rate.

The Agency's First Home program continues to purchase loans at a high level from the Agency's lender partners. The Agency's program offers down payment and closing cost assistance to eligible borrowers which helps a majority of borrowers qualify for purchasing a home. The continuation of the oil industry boom in the western part of North Dakota has been relatively stable at the current time. The unpredictable oil field boom and bust cycle may have an effect but does not appear to present a major problem for the Agency at this time. Due to income limits with the Agency's programs, most oil industry workers did not qualify for our programs. The purchase of affordable housing remains robust in the more populous areas of the State.

The Agency has also been successful in issuing multi-family bonds for 4% Low Income Housing Tax Credit projects. This has enabled the developers to attract more equity to housing projects in the state addressing the needs of vulnerable populations.

In 2020, the Agency took over the administration of the HUD Homeless Continuum of Care at the request of the North Dakota Coalition for Homeless People. This enabled the coalition to focus on their advocacy efforts on behalf of this segment of the state's population.

Budgetary Information

As discussed in Note 1 to the financial statements, the North Dakota Housing Finance Agency is funded under a biennial appropriation approved by the state legislature. The biennial appropriation does not provide any state General Fund dollars. Hence, total Agency appropriation is funded from Agency operations.

Contacting the North Dakota Housing Finance Agency's Financial Management

The information in this report is intended to provide the reader with an overview of the Agency's operations along with the Agency's accountability for those operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the North Dakota Housing Finance Agency, P.O. Box 1535, Bismarck, ND 58502-1535.

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	$ 13,600	$ 11,155
Due from State Agencies	57	3
Receivables		
Interest		
Loans	2	3
Investments	28	30
Due from HUD	215	232
Other	625	666
Current portion of service release premium	863	819
Prepaid expenses	66	63
Total unrestricted current assets	15,456	12,971
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	304,344	234,323
Receivables		
Current portion of loans receivable	30,801	30,160
Interest		
Loans	5,060	4,737
Investments	439	406
Other	232	1
Total restricted current assets	340,876	269,627
Total current assets	356,332	282,598
NONCURRENT ASSETS - UNRESTRICTED		
Service release premium, net	6,093	5,607
Equipment, net	11	17
Total unrestricted noncurrent assets	6,104	5,624
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion	1,193,169	1,255,924
Investments	54,215	44,619
Total restricted noncurrent assets	1,247,384	1,300,543
Total noncurrent assets	1,253,488	1,306,167
Total assets	1,609,820	1,588,765
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	4,086	1,289
Deferred outflow - OPEB	61	57
Financial derivative instrument	10,361	16,132
Total deferred outflows of resources	14,508	17,478

See Notes to Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	$ 68	$ 19
Due to state agencies	353	332
Other	921	843
Current portion of compensated absences	-	9
Current portion of bonds payable, net of premium	36,524	32,672
Accrued interest	17,826	19,287
Funds held in trust	19,428	17,399
Grant funds received in advance	57	77
Total current liabilities	75,177	70,638
NONCURRENT LIABILITIES		
Compensated absences, net of current portion	361	311
Grant funds received in advance	4,659	4,693
Net pension liability	6,775	2,760
Net OPEB liability	178	189
Financial derivative instrument	10,361	16,132
Bonds payable, net of current portion and premium	1,308,683	1,299,308
Total noncurrent liabilities	1,331,017	1,323,393
Total liabilities	1,406,194	1,394,031
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	1,200	1,479
Deferred inflow - OPEB	23	13
Total deferred inflows of resources	1,223	1,492
NET POSITION		
Net investment in capital assets	11	17
Restricted for debt service	201,116	196,441
Unrestricted	15,784	14,262
Total net position	$ 216,911	$ 210,720

See Notes to Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
OPERATING REVENUES		
Mortgage interest income	$ 42,335	$ 46,858
Investment income	3,292	5,661
Gain on sale of investments	422	2,212
Fee income	3,950	3,375
Total revenues	49,999	58,106
OPERATING EXPENSES		
Interest expense	32,069	33,055
Agency grants	231	249
Administrative and operating expenses	7,019	5,520
Salaries and benefits	3,822	3,710
Pension expense	1,127	476
OPEB expense	22	24
Depreciation	6	7
Total expenses	44,296	43,041
OPERATING INCOME	5,703	15,065
NONOPERATING REVENUES (EXPENSES)		
Federal grants	16,233	13,490
Non-federal grants	464	-
Investment income	57	455
Federal grants	(16,233)	(13,490)
Total nonoperating revenues (expenses)	521	455
INCOME BEFORE TRANSFERS	6,224	15,520
TRANSFERS		
Transfer to Industrial Commission	(33)	(44)
CHANGE IN NET POSITION	6,191	15,476
TOTAL NET POSITION, BEGINNING OF YEAR	210,720	195,244
TOTAL NET POSITION, END OF YEAR	$ 216,911	$ 210,720

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
OPERATING ACTIVITIES		
Receipts from customers	$ 420,229	$ 233,175
Proceeds from sale of loans receivable	44,328	37,345
Interfund mortgages loan purchases and sales	18,232	(108,218)
Grant funds received in advance	(52)	56
Payment of grants	(166)	(36)
Payments to service providers		
State agencies	(5,228)	(3,705)
Mortgage loan purchases	(365,041)	(190,548)
Other	(12,597)	(8,708)
Payments to employees	(3,746)	(3,706)
Net cash used by operating activities	95,959	(44,345)
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on loan from BND / FHLB	(17,289)	(13,566)
Principal payments on bonds payable	(233,210)	(109,720)
Proceeds from loan borrowings from BND / FHLB	17,289	13,566
Proceeds from bond issuance	252,694	185,204
Interest paid on loans and bonds	(33,530)	(30,104)
Proceeds from federal grants	16,233	13,490
Proceeds from non-federal grants	464	-
Payment of federal grants	(16,233)	(13,490)
Transfers to Industrial Commission	(33)	(44)
Net cash provided (used) by noncapital financing activities	(13,615)	45,336
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	-	(11)
INVESTING ACTIVITIES		
Purchase of investments	(30,806)	(21,027)
Proceeds from sale of investments	20,778	26,665
Interest received from investments	150	325
Net cash provided (used) by for investing activities	(9,878)	5,963
NET CHANGE IN CASH AND CASH EQUIVALENTS	72,466	6,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	245,478	238,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 317,944	$ 245,478
CASH AND CASH EQUIVALENTS - UNRESTRICTED	$ 13,600	$ 11,155
CASH AND CASH EQUIVALENTS - RESTRICTED	304,344	234,323
	$ 317,944	$ 245,478

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	$ 5,703	$ 15,065
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	6	7
Amortization		
Original issue discounts and premiums	(6,257)	(5,902)
Service release premium	2,146	1,495
Fair value (increases) decreases of investments	343	(583)
Reclassification of interest income/expense to other activities	32,036	32,869
Effect on cash flows due to changes in:		
Deferred outflow - pension	(2,796)	388
Deferred outflow - OPEB	(4)	(6)
Deferred inflows - pension	(279)	1,154
Deferred inflows - OPEB	10	2
Effect on cash flows due to changes in:		
Due from HUD	17	298
Due from State Agencies	(54)	2
Other receivables	(147)	126
Service release premium	(2,675)	(1,838)
Prepaid expenses	(4)	2
Loan interest receivable	(321)	(469)
Loans receivable	62,112	(87,712)
Due to HUD	48	7
Due to State Agencies	21	315
Rebate due to IRS	-	(90)
Other liabilities	33	(633)
Compensated absences	42	(24)
Funds held in trust	2,029	2,459
Net pension liability	4,004	(1,241)
Grant funds received in advance	(54)	(36)
Net cash used by operating activities	$ 95,959	$ (44,345)
Non-cash disclosures:		
Increase (decrease) in fair value of investments	$ (432)	$ 792

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
FOR THE BIENNIUM ENDED JUNE 30, 2021
(In Thousands)

	2019-2021 Appropriations Original	2019-2021 Appropriations As Adjusted	2019-2021 Expenditures	Unexpended Appropriations
Administrative Expenses:				
Salaries, wages and benefits	$ 8,509	$ 8,509	$ 7,951	$ 558
Operating expenses	5,346	6,346	6,169	177
Grants, benefits and claims	33,467	33,467	30,163	3,304
Contingency	100	100	11	89
Total	$ 47,422	$ 48,422	$ 44,294	$ 4,128

(1) The Agency's total appropriations of $48,422 consist of funding of $32,897 from federal funds and $15,525 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of HB 1014.

(2) This statement includes only those expenditures for which there are appropriations. A reconciliation to the expenses on the statement of revenues, expenses and changes in fund net position follows (in thousands):

	2021	2020
Total expenditures	$ 23,994	$ 20,300
Less: Grants, benefits and claims	(16,464)	(13,739)
Administrative and operating expenses relating to		
Rental, Homeownership Bonds and Agency expenses	1,168	1,181
Amortization of service release premium	2,146	1,495
Interest expense for the Agency	(3)	(7)
Depreciation	6	7
Total administrative and operation expenses, salaries and benefits, and depreciation	$ 10,847	$ 9,237

See Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Activity

The North Dakota Housing Finance Agency (Agency) was created in 1980 by an initiated measure. The Agency is authorized, among other things, to make mortgage and construction loans to housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; to purchase qualified mortgage loans from mortgage lenders; and to apply for and receive assistance and subsidies under programs of the federal government.

The Agency is authorized to issue bonds and notes in order to exercise its authorized powers. Bonds and notes issued by the Agency under the 1994 and 2009 General Resolutions are not a debt or liability of the State of North Dakota and the state is not liable for repayment of such obligations. Bonds under the 1994 and 2009 General Resolutions are general obligations of the Agency.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) statements, the Agency should include all component units over which the Agency exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific burdens on the Agency.

Based on the criteria as set forth by the GASB, no other organizations were determined to be part of the reporting entity. The North Dakota Housing Finance Agency is included as part of the primary government of the State of North Dakota's reporting entity.

Budgetary Process

The Agency operates through a biennial appropriation provided by the State Legislature. The Agency prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override. Once passed and signed, the appropriation becomes the Agency's financial plan for the next two years. The Agency has a continuous appropriation of any additional income from federal or other funds which may become available to the Agency. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses – Budget and Actual cannot be prepared as required by generally accepted accounting principles. In its place, a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the accrual basis of accounting and includes only those expenses for which an appropriation has been established.

Accounting Standards

The Agency follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The funds account for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions.

The Agency's funds are:

Agency Operating Funds

These funds account for (1) activities related to the development and administration of Agency financial programs, (2) HUD Section 8 Housing Assistance Payment programs, (3) Agency owned assets and (4) any activities of the Agency not applicable to the other funds.

Homeownership Bond Funds

These funds account for the proceeds from the sale of Homeownership Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance single family home ownership.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted net position are available for use, generally it is the Agency's policy to use restricted net position first, and then unrestricted net position as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant Group Concentrations of Credit Risk

All of the Agency's mortgage loans are secured by houses located within the State of North Dakota.

Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position.

Funds held by trustees or the Agency under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Agency. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts have their moneys invested in various debt securities such as mortgage-backed securities and investment contracts.

Interfund Receivables and Payables

Advances between funds during the year resulting in interfund receivables and payables have been eliminated from the financial statements.

Mortgage Loans Receivable

Mortgage loans receivable are recorded at amounts advanced less principal payments and, in the Homeownership Bond Fund, net of purchase discounts. Interest income on loans is accrued at the specific rate on the unpaid principal balance.

Service Release Premium

The Agency purchases the rights to service mortgage loans from the originating financial institutions. The payments to the originating financial institutions are recorded as a service release premium. The premium is amortized over eleven years which is the average life of the mortgage loans including prepayments and refinancing of the loans.

Equipment

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of $5,000 or more per unit are capitalized and reported in the accompanying financial statements.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to five years.

Funds Held in Trust

These amounts consist of escrow, buy-down and partial payments made by mortgagors on loans serviced by the Agency.

Accumulated Unpaid Vacation and Sick Pay

Annual leave and sick leave are a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Annual leave is earned based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Agency. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is earned based on tenure at the rate of one to a maximum of one and one-half working days per month of employment. There are no limitations on the amount of sick leave that an employee can accumulate. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service under chapter 54-52 of the North Dakota Century Code. A liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as required by the Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Financial Derivative Instrument

North Dakota Housing Finance Agency enters into interest rate swap agreements to modify interest rates on outstanding debt.

Operating and Non-Operating Revenues

Operating revenues consist of sales of goods and services, interest earned and proceeds from lending activities, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions and other miscellaneous revenue. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the Agency would not otherwise undertake. Investment income in the Homeownership Bond Fund is recorded as operating income as these revenues are generated from the Agency's operations needed to carry out its statutory purpose.

All other revenues that do not meet the above criteria are classified as non-operating.

Fair Value of Financial Statements

Fair value measurements are used to record fair value adjustments to certain assets, deferred outflows of resources, liabilities and deferred inflows of resources to determine fair value disclosures.

Fair Value Hierarchy

Assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Determination of Fair Value

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Agency's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. The following is a description of the methodologies used for instruments measured at fair value.

Securities

Securities consist primarily of Federal agencies and mortgage backed securities. Securities are recorded at fair value on a recurring basis. Fair value is based upon quoted prices, if available. If quoted market prices are not available, fair values are measured using observable market prices from independent pricing models, or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded in an active market; examples would include U.S. Treasuries. Level 2 securities as defined above would include mortgage-backed securities and municipal bonds.

Interest Rate Swap Agreements

Fair values for interest rate swap agreements are based upon the settlement value adjusted by estimated nonperformance risk.

NOTE 2 DEPOSITS

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds … must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

The bank balances of deposits of the Agency at June 30, 2021 and 2020 were $35,043 and $28,944 respectively, consisting of interest-bearing and noninterest-bearing operating cash deposited at the Bank of North Dakota.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Agency at the Bank of North Dakota at June 30, 2021 and 2020 were $33,028 and $28,554, respectively.

(In Thousands)

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2021 and 2020 is as follows:

	2021	2020
Unrestricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 13,600	$ 11,155
Total cash and cash equivalents	$ 13,600	$ 11,155
Restricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 19,428	$ 17,399
Deposits at Wilmington Trust	725	1,263
Cash and cash equivalents held in trust	228,843	121,312
Fixed rate investment agreements reported as cash equivalents	55,348	94,349
Total cash and cash equivalents	$ 304,344	$ 234,323

NOTE 3 INVESTMENTS

The Agency does not have an investment policy that specifically addresses the risks below. However, the respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The following shows the investments by investment type, amount and the duration at June 30, 2021:

	Total Market Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	More Than 10 Years
Total Debt Securities	$ 54,215	$ -	$ -	$ -	$ 54,215

(In Thousands)

The following shows the investments by investment type, amount and the duration at June 30, 2020:

	Total Market Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	More Than 10 Years
Mortgage Backed Securities	$ 44,619	$ -	$ -	$ -	$ 44,619

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed rate investment agreements and the U.S. Treasury Bonds are not rated.

As of June 30, 2021, the Agency owned $9,388 and the 1994 General Resolution Bond Issues owned $44,827 of the $54,215 Mortgage Backed Securities. The $44,827 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $9,251, (all of which are MBS owned by the Agency), at June 30, 2021 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

As of June 30, 2020, the Agency owned $8,875 and the 1994 General Resolution Bond Issues owned $35,744 of the $44,619 Mortgage Backed Securities. The $35,744 is restricted funds through the bond issue requirements. The Agency Operating Fund investment securities with a carrying amount of approximately $8,647, (all of which are MBS owned by the Agency), at June 30, 2020 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2021.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Mortgage-backed securities				
Agency	$ 54,215	$ -	$ 54,215	$ -
Total	$ 54,215	$ -	$ 54,215	$ -
Interest rate swap	$ 10,361	$ -	$ 10,361	$ -

(In Thousands)

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2020.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Mortgage-backed securities				
Agency	$ 44,619	$ -	$ 44,619	$ -
Total	$ 44,619	$ -	$ 44,619	$ -
Interest rate swap	$ 16,132	$ -	$ 16,132	$ -

NOTE 5 LOANS RECEIVABLE

Loans receivable at June 30, 2021 and 2020, consist of the following:

	2021	2020
Restricted:		
Agency operating funds	$ 5,187	$ 5,448
Less: current portion	90	143
Total loan receivable, net of current portion	$ 5,097	$ 5,305
Restricted:		
Homeownership bond funds	$ 1,218,783	$ 1,280,636
Less: current portion	30,711	30,017
Total loan receivable, net of current portion	$ 1,188,072	$ 1,250,619

Mortgage loans are secured by first liens on real property.

Agency and Homeownership mortgage loans are insured by a private primary mortgage insurer, the Federal Housing Administration or guaranteed by the Veterans Administration, USDA-RD, or uninsured with a loan to value of 80% or less.

Interest rates on Agency and Homeownership mortgage loans vary from 0.00% to 8.65% for the years ended June 30, 2021 and June 30, 2020 with maturities of such loans ranging from less than one year to 40 years.

(In Thousands)

Included in Homeownership and Agency mortgage loans are loans totaling $381 which have been foreclosed on and are owned by the Agency (REO), $123 in real estate loans in judgment (REJ), and 27 loans totaling $3,195 that were in the foreclosure process at June 30, 2021. At June 30, 2020, Homeownership and Agency mortgage loans included loans totaling $648 which have been foreclosed on and are owned by the Agency (REO), $100 in real estate loans in judgment (REJ), and 63 loans totaling $8,063 that were in the foreclosure process. Since such loans are at least partially insured or guaranteed by outside parties, it is anticipated that the Agency will recover substantially all of the unpaid principal and interest on the loans through insurance payments or sale of foreclosed property.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The Agency operates various Department of Housing and Urban Development (HUD) Section 8 rent subsidy programs. Under these programs the Agency draws down, in advance, sufficient funds to cover estimated rent subsidies. An estimate of rents is used because occupancy of rental units is not known until rent payments become due. The use of rent estimates results in over-and-under drawdowns of HUD funds. These amounts cannot be offset and are shown at year-end as intergovernmental receivables and payables as follows:

	2021	2020
Due from HUD	$ 215	$ 232
Due to HUD	$ 68	$ 19

NOTE 7 EQUIPMENT

A summary of changes in equipment and accumulated depreciation is as follows:

	Equipment	Accumulated Depreciation	Net Equipment
Balance July 1, 2019	$ 202	$ 189	$ 13
Additions	11	7	
Deletions	-	-	
Balance June 30, 2020	$ 213	$ 196	$ 17
Additions	-	6	
Deletions	-	-	
Balance June 30, 2021	$ 213	$ 202	$ 11

(In Thousands)

NOTE 8 OTHER RECEIVABLES

A detail of other receivables as of June 30, 2021 and 2020 is as follows:

	2021	2020
Unrestricted:		
Receivable from servicer	$ 58	$ -
Receivable from developers	433	239
Accounts receivable	134	427
	$ 625	$ 666
Restricted:		
Accounts receivable	$ 232	$ 1

NOTE 9 OTHER LIABILITIES

A detail of other liabilities as of June 30, 2021 and 2020 is as follows:

	2021	2020
Remarketing fees	$ 31	$ 25
Commitment fees	119	108
Accounts payable	771	710
	$ 921	$ 843

(In Thousands)

NOTE 10 RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents - unrestricted		
Bank of North Dakota	$ 13,600	$ 11,155
Cash and cash equivalents - restricted		
Bank of North Dakota	$ 19,428	$ 17,399
Due from state agencies		
Housing Incentive Fund	$ 2	$ 3
Department of Commerce	55	-
	$ 57	$ 3
Due to state agencies		
Information Technology Department	$ 9	$ 10
Attorney General	3	1
Department of Transportation	1	2
Office of Management and Budget	340	319
	$ 353	$ 332
Transfers out		
Industrial Commission	$ 33	$ 44
Administrative and operating expenses		
Information Technology Department		
Telephone and data processing	$ 19	$ 19
Data processing	85	76
Attorney General		
Legal fees	33	20
Office of Management and Budget		
Supplies and conferences	13	18
Risk management premium	3	2
Indirect cost allocation	5	2
Housing Incentive Fund		
Administration and support	9	9
Department of Transportation		
Travel	6	6
Department of Insurance		
State fire and tornado fund premium	-	2

(In Thousands)

NOTE 11 LONG-TERM LIABILITIES

Change in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Balance 7/1/20	Additions	Reductions	Balance 6/30/21	Amounts Due Within One Year
Homeownership bond funds, par	$ 1,310,530	$ 245,000	$ 233,210	$ 1,322,320	$ 30,275
Premium on bond funds	21,450	7,694	6,257	22,887	6,249
Compensated absences	320	225	184	361	-
Net pension liability	2,760	4,816	801	6,775	-
Net OPEB liability	189	52	63	178	-
	$ 1,335,249	$ 257,787	$ 240,515	$ 1,352,521	$ 36,524

See Note 15 and Note 16 for more information on the net pension liability and net OPEB liability, respectively.

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance 7/1/19	Additions	Reductions	Balance 6/30/20	Amounts Due Within One Year
Homeownership bond funds, par	$ 1,231,000	$ 180,000	$ 100,470	$ 1,310,530	$ 26,930
Multi-family revenue bonds	9,250	-	9,250	-	-
Premium on bond funds	22,146	5,204	5,900	21,450	5,742
Compensated absences	344	214	238	320	9
Net pension liability	4,000	1,067	2,307	2,760	-
Net OPEB liability	190	58	59	189	-
	$ 1,266,930	$ 186,543	$ 118,224	$ 1,335,249	$ 32,681

See Note 15 and Note 16 for more information on the net pension liability and net OPEB liability, respectively.

Bonds Payable

The bonds of the various Agency funds have been issued to provide financing to purchase mortgage loans and to finance rental housing projects. The bonds are direct obligations of the Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution.

(In Thousands)

Maturities of Bonds Payable

Maturities of principal and interest on all bonds are as follows:

Years Ending June 30,	Principal	Interest	Total Debt Service
2022	$ 30,275	$ 37,809	$ 68,084
2023	47,200	38,238	85,438
2024	41,775	37,359	79,134
2025	43,530	36,520	80,050
2026	44,270	35,595	79,865
2027 - 2031	208,895	162,229	371,124
2032 - 2036	216,210	134,123	350,333
2037 - 2041	241,205	99,501	340,706
2042 - 2046	252,850	60,113	312,963
2047 - 2051	191,260	15,822	207,082
2052 - 2056	4,850	88,500	93,350
Premiums	22,887	(22,887)	-
	$ 1,345,207	$ 722,922	$ 2,068,129

Schedules of Bonds Payable

The following summarizes the Agency's bonds payable outstanding at June 30, 2021 and 2020. The term bonds of all bond series have mandatory sinking fund requirements. All of the bonds payable relate to the Agency's Homeownership Bond Fund.

	Interest Rate	2021	2020
Series 2008 B			
Term Bond 07/1/2038	Variable	$ 12,735	$ 12,735
Series 2010 EF			
PAC Term Bond 7/1/2041 (Premium)	4.50	-	475
PAC Term Bond 1/1/2035 (Premium)	4.50	-	750
Premium (Discount)		-	11
Series 2011 AB			
Term Bond 1/1/28 (Premium)	4.50	-	915
Premium (Discount)		-	9

(In Thousands)

	Interest Rate	2021	2020
Series 2011 CD			
Serial Bonds 1/1/13 - 7/1/22	3.55-3.70	$ -	$ 820
Term Bond 7/1/28 (Premium)	4.25	-	235
Series 2012 AB			
Serial Bonds 7/1/13 - 7/1/21	3.05	850	1,900
Serial Bonds 7/1/21 - 7/1/24	2.75-3.05	-	4,890
Term Bond 7/1/42 (Premium)	3.75	2,410	3,970
Premium (Discount)		24	65
Series 2013 A			
Term Bond 7/1/43 (Premium)	3.50	3,055	5,675
Premium (Discount)		10	41
Series 2014 AB			
Serial Bonds 1/1/15 - 7/1/25	2.25-3.15	-	5,615
Term Bond 7/1/34 (Premium)	4.00	4,485	6,650
Term Bond 7/1/44	Variable	23,710	27,055
Premium (Discount)		101	198
Series 2015A			
Serial Bonds 7/1/15 - 7/1/26	2.35-3.10	9,375	11,470
Term Bond 7/1/30	3.38	690	5,345
Term Bond 1/1/38 (Premium)	4.00	5,265	7,440
Premium (Discount)		119	234
Series 2015BC			
Serial Bonds 1/1/16 - 7/1/25	2.45-3.05	2,655	10,825
Term Bond 1/1/36 (Premium)	4.00	8,085	10,970
Term Bond 1/1/46	Variable	16,885	17,700
Premium (Discount)		185	331
Series 2015DE			
Serial Bonds 7/1/16 - 1/1/26	2.00-2.90	1,415	14,405
Term Bond 7/1/46 (Premium)	4.00	10,810	14,210
Term Bond 7/1/36	Variable	23,405	25,000
Premium (Discount)		281	469
Series 2015F			
Term Bond 1/1/47	Variable	25,000	25,000

(In Thousands)

	Interest Rate	2021	2020
Series 2016AB			
Serial Bonds 1/1/19 - 7/1/27	1.50-2.60	$ 32,010	$ 37,480
Term Bond 7/1/31	2.95	11,750	16,995
Term Bond 1/1/35	3.20	7,700	12,140
Term Bond 1/1/47 (Premium)	4.00	24,975	31,655
Premium (Discount)		974	1,472
Series 2016CDE			
Serial Bonds 1/1/17 - 7/1/22	1.70-1.95	1,485	3,720
Serial Bonds 7/1/22 - 7/1/25	1.70-2.15	8,350	8,350
Serial Bonds 7/1/25 - 7/1/28	2.15-2.60	13,750	13,750
Term Bond 7/1/32	2.85	13,285	17,990
Term Bond 1/1/36	3.15	11,640	15,770
Term Bond 7/1/46 (Premium)	3.50	28,360	34,985
Premium (Discount)		1,119	1,607
Series 2017A			
Serial Bonds 1/1/18 - 7/1/28	1.85-3.05	21,075	26,470
Term Bond 7/1/32	3.55	3,785	10,225
Term Bond 7/1/34	3.70	490	845
Term Bond 7/1/47 (Premium)	4.00	16,815	20,945
Premium (Discount)		598	884
Series 2017BC			
Serial Bonds 7/1/18 - 7/1/24	2.45-3.15	3,565	7,885
Term Bond 1/1/47	Variable	13,940	13,940
Series 2017DE			
Serial Bonds 7/1/18 - 7/1/22	1.75-1.90	1,510	3,510
Serial Bonds 7/1/22 - 7/1/28	1.50-2.70	12,745	13,975
Term Bonds 7/1/32	3.15	9,175	10,625
Term Bonds 7/1/37	3.45	11,245	15,415
Term Bonds 7/1/40	3.55	5,740	8,440
Term Bonds 7/1/47 (Premium)	4.00	20,785	25,570
Premium (Discount)		1,019	1,462
Series 2017FGH			
Serial Bonds 1/1/19 - 1/1/25	2.00-2.55	7,280	10,845
Serial Bonds 1/1/25 - 7/1/208	2.55-3.00	8,435	9,875
Term Bonds 7/1/31	3.35	1,615	7,415
Term Bonds 7/1/48 (Premium)	4.00	28,250	28,460
Term Bond 7/1/39	Variable	23,870	28,250
Premium (Discount)		879	1,246

(In Thousands)

	Interest Rate	2021	2020
Series 2018A			
Serial Bonds 7/1/19 - 7/1/29	2.25-3.20	$ 19,705	$ 21,925
Term Bonds 7/1/33	3.55	8,785	11,710
Term Bonds 7/1/38	3.75	10,130	17,120
Term Bonds 1/1/42	3.85	8,595	13,490
Term Bonds 7/1/49 (Premium)	4.00	26,445	30,545
Premium (Discount)		840	1,172
Series 2018BC			
Serial Bonds 7/1/19 - 7/1/28	3.05-3.80	7,325	14,455
Term Bond 1/1/49	Variable	9,355	9,355
Series 2018D			
Serial Bonds 7/1/19 - 7/1/30	1.95-3.30	25,325	29,975
Term Bond 7/1/33	3.55	9,410	10,835
Term Bond 7/1/38	3.85	12,390	20,945
Term Bond 7/1/42	3.95	11,370	19,225
Term Bond 1/1/49 (premium)	4.25	34,705	39,175
Premium (discount)		1,371	1,890
Series 2019AB			
Serial Bonds 1/1/20 - 7/1/31	1.95-3.20	18,530	22,210
Term Bonds 7/1/33	3.375	1,985	4,945
Term Bonds 7/1/35	3.50	1,260	4,010
Term Bonds 7/1/42	Variable	25,000	25,000
Term Bond 7/1/49 (premium)	4.25	25,005	27,475
Premium (discount)		1,085	1,461
Series 2019C			
Serial Bonds 7/1/20 - 7/1/30	1.75-2.60	29,930	31,310
Term Bonds 7/1/32	2.80	7,455	7,455
Term Bonds 7/1/34	3.00	8,000	8,000
Term Bonds 7/1/39	3.20	20,295	22,810
Term Bonds 7/1/42	3.35	13,085	14,705
Term Bonds 1/1/50 (premium)	4.00	47,045	49,280
Premium (discount)		3,239	4,019
Series 2019DE			
Serial Bonds 7/1/20 - 7/1/29	2.60-3.45	4,525	4,980
Term Bonds 7/1/33	3.70	2,705	2,705
Term Bonds 7/1/39	4.00	5,050	5,050
Term Bonds 1/1/50	variable	12,265	12,265

(In Thousands)

	Interest Rate	2021	2020
Series 2019F			
Serial Bonds 7/1/20 - 7/1/32	1.30-2.50	$ 22,735	$ 24,300
Term Bonds 7/1/34	2.70	4,770	4,770
Term Bonds 7/1/39	2.95	13,265	13,265
Term Bonds 7/1/43	3.05	11,995	12,095
Term Bonds 7/1/2050 (premium)	3.75	25,045	25,570
Premium (discount)		1,616	2,079
Series 2020A			
Serial Bonds 1/1/21 - 7/1/32	1.20-2.45	29,525	29,725
Term Bonds 7/1/35	2.70	9,080	9,080
Term Bonds 7/1/40	3.00	16,985	16,985
Term Bonds 1/1/44	3.05	11,890	12,160
Term Bonds 1/1/2051 (premium)	4.00	31,900	32,050
Premium (discount)		2,237	2,800
Series 2020B			
Serial Bonds 7/1/21 - 7/1/32	0.20-2.05	36,195	-
Term Bonds 7/1/35	2.10	11,205	-
Term Bonds 7/1/40	2.35	20,840	-
Term Bonds 7/1/44	2.50	16,740	-
Term Bonds 7/1/44	3.00	40,020	-
Term Bonds 7/1/2051 (premium)		3,439	-
Premium (discount)			
Series 2021A			
Serial Bonds 1/1/22 - 7/1/32	0.10-1.95	33,415	-
Serial Bonds 1/1/33 - 7/1/33 (premium)	2.00	3,490	-
Term Bonds 7/1/36	2.05	10,980	-
Term Bonds 7/1/41	2.25	20,280	-
Term Bonds 7/1/44	2.35	13,310	-
Term Bonds 1/1/2052 (premium)	3.00	38,525	-
Premium (discount)		3,751	-
		$ 1,345,207	$ 1,331,980

The Agency is allowed to earn a mortgage yield of 1.125% more than the yield on the corresponding tax-exempt bonds. The Agency monitors the yield related to the bonds and mortgages to ensure the Agency is in compliance with the yield requirements.

Revenues Pledged

The Agency has homeownership bonds outstanding in the amount of $1,345,207 maturing at various times from July 1, 2021 through January 1, 2052. The bonds have been issued to provide financing to purchase mortgage loans. Annual principal and interest payments on the bonds are expected to require 98 percent of net revenues. Principal and interest paid for the current year and total customer net revenues were $233,210 and $33,527, respectively for the year ended June 30, 2021. Principal and interest paid for the current year and total customer net revenues were $100,470 and $30,017, respectively for the year ended June 30, 2020.

Pursuant to the Series Resolutions adopted to date under the 1994 and 2009 General Resolutions, the revenues generated by the program loans (but not the program loans themselves) are pledged to secure the Bonds. The Agency is permitted by terms of the General Resolutions to issue bonds and to pledge revenues pursuant to the Series Resolution which exceed the amount required to meet the obligations of that series of bonds. In such event, it is likely that any such series of bonds would produce excess revenues which could be available to redeem the related series of bonds or any other series of bonds prior to the stated maturities thereof.

NOTE 12 FINANCIAL DERIVATIVE INSTRUMENT

Objective of the Interest Rate Swap

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance[2], the agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series[1]. All Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate[6]. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are un-hedged.

Terms

The bonds and the related swap agreements have a stated issuance[2] and maturity date[3]. Some of the swaps have optional termination dates[15]. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) [7] plus a fixed percentage[8] on the swap notional amount[4]. On the other hand, the bond's variable-rate[9] coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution. The net change in fair value of the individual swaps is presented in the terms table below[14].

Credit Risk

As of June 30, 2021 and of June 30, 2020, the Agency had no swaps with a positive fair value. Of the swaps with negative fair value, the agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with Bank of New York Mellon, the Royal Bank of Canada, and Wells Fargo as a credit enhancement.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparties. Under the terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2021 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $2,367 and the swap providers owed the Agency a variable rate on the notional amounts of $140 making the net payment that the Agency owe the swap providers $2,227.

Fair Value

Due to the difference in the variable rate indices, the swaps had a net negative fair value[10] of $10,361 at June 30, 2021 and a net negative fair value[10] $16,132 at June 30, 2020. Accordingly, the financial derivative instrument is reported as a liability and the accumulated changes in fair value of the swaps were reported as a deferred outflow at June 30, 2021 and 2020. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

Basis Risk

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate[6] and the synthetic rate[12] as of June 30, 2021 and 2020. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

Termination Risk

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

(In Thousands)

Rollover Risk

The Agency is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

The terms of the interest rate swaps at June 30, 2021 are as follows:

1	Bond Series	2014 B	2015 C	2015 E	2015 F
2	Issuance Date	6/24/2014	6/23/2015	5/1/2016	12/8/2015
3	Maturity Date	7/1/2044	1/1/2046	7/1/2036	1/1/2047
4	Notional Amount	27,055	17,700	22,410	17,435
5	Variable-rate Bonds	27,055	17,700	22,410	17,435
6	Fixed Rate	2.890%	2.486%	2.257%	2.320%
7	LIBOR Percentage	65.80%	66.20%	66.40%	100.00%
8	Additional Percentage	0.17%	0.10%	0.22%	0.00%
9	Bonds Variable-rate	0.04000%	0.02000%	0.02000%	0.09000%
10	Fair Value	(357)	(299)	(744)	(866)
11	Percentage of LIBOR	0.23613%	0.16653%	0.28673%	10.05000%
12	Synthetic Rate	2.69387%	2.33947%	1.99027%	2.30950%
13	Actual Synthetic Rate	2.79407%	3.05960%	2.02055%	2.30046%
14	Change in Fair Value	520	379	(154)	650
15	Optional Termination Date	N/A	N/A	N/A	1/1/2025

1	Bond Series	2017C	2017H	2018C	2019B
2	Issuance Date	5/10/2017	12/21/2017	6/14/2018	2/13/2019
3	Maturity Date	7/1/2047	7/1/2039	1/1/2049	1/1/2043
4	Notional Amount	20,545	28,250	9,355	25,000
5	Variable-rate Bonds	20,545	28,250	9,355	25,000
6	Fixed Rate	2.783%	2.266%	3.515%	2.693%
7	LIBOR Percentage	100.00%	66.40%	100.00%	70.00%
8	Additional Percentage	0.00%	0.09%	0.00%	0.00%
9	Bonds Variable-rate	2.73904%	0.03000%	0.08000%	0.43000%
10	Fair Value	(2,070)	(1,687)	(1,451)	(1,395)
11	Percentage of LIBOR	0.10050%	0.15673%	0.10050%	0.07035%
12	Synthetic Rate	5.42104%	2.13927%	3.49450%	3.05215%
13	Actual Synthetic Rate	2.74587%	2.22825%	3.49081%	3.09063%
14	Change in Fair Value	1,208	813	638	734
15	Optional Termination Date	7/1/2027	7/1/2023	7/1/2027	1/1/2024

(In Thousands)

1	Bond Series	2019E
2	Issuance Date	6/25/2019
3	Maturity Date	1/1/2050
4	Notional Amount	12,265
5	Variable-rate Bonds	12,265
6	Fixed Rate	3.171%
7	LIBOR Percentage	100.00%
8	Additional Percentage	0.00%
9	Bonds Variable-rate	0.08000%
10	Fair Value	(1,492)
11	Percentage of LIBOR	0.10050%
12	Synthetic Rate	3.15050%
13	Actual Synthetic Rate	3.18969%
14	Change in Fair Value	983
15	Optional Termination Date	7/1/2028

The terms of the interest rate swaps at June 30, 2020 are as follows:

1	Bond Series	2014 B	2015 C	2015 E	2015 F
2	Issuance Date	6/24/2014	6/23/2015	5/1/2016	12/8/2015
3	Maturity Date	7/1/2044	1/1/2046	7/1/2036	1/1/2047
4	Notional Amount	27,055	17,700	25,000	21,230
5	Variable-rate Bonds	27,055	17,700	25,000	21,230
6	Fixed Rate	2.890%	2.486%	2.257%	2.320%
7	LIBOR Percentage	65.80%	66.20%	66.40%	100.00%
8	Additional Percentage	0.17%	0.10%	0.22%	0.00%
9	Bonds Variable-rate	0.17000%	0.86000%	N/A	0.17000%
10	Fair Value	(877)	(678)	(590)	(1,516)
11	Percentage of LIBOR	0.27676%	0.20741%		0.16225%
12	Synthetic Rate	2.78324%	3.13859%	2.25700%	2.32775%
13	Actual Synthetic Rate	2.80395%	3.18580%		2.29989%
14	Change in Fair Value	(38)	(213)	-	(1,333)
15	Optional Termination Date	N/A	7/1/2020	7/1/2020	1/1/2025

1	Bond Series	2017C	2017H	2018C	2019B
2	Issuance Date	5/10/2017	12/21/2017	6/14/2018	2/13/2019
3	Maturity Date	7/1/2047	7/1/2039	1/1/2049	1/1/2043
4	Notional Amount	20,545	28,250	9,355	25,000
5	Variable-rate Bonds	20,545	28,250	9,355	25,000
6	Fixed Rate	2.783%	2.266%	3.515%	2.693%
7	LIBOR Percentage	100.00%	66.40%	100.00%	70.00%
8	Additional Percentage	0.00%	0.09%	0.00%	0.00%
9	Bonds Variable-rate	0.17296%	0.13000%	0.17000%	0.53000%
10	Fair Value	(3,278)	(2,500)	(2,089)	(2,129)
11	Percentage of LIBOR	0.16225%	0.19773%	0.16225%	0.11358%
12	Synthetic Rate	2.79321%	2.19827%	3.52275%	3.10893%
13	Actual Synthetic Rate	2.74003%	2.25303%	3.47950%	3.09063%
14	Change in Fair Value	(2,140)	(1,312)	(968)	(712)
15	Optional Termination Date	7/1/2027	7/1/2023	7/1/2027	1/1/2024

(In Thousands)

1	Bond Series	2019E
2	Issuance Date	6/25/2019
3	Maturity Date	1/1/2050
4	Notional Amount	12,265
5	Variable-rate Bonds	12,265
6	Fixed Rate	3.171%
7	LIBOR Percentage	100.00%
8	Additional Percentage	0.00%
9	Bonds Variable-rate	0.17000%
10	Fair Value	(2,475)
11	Percentage of LIBOR	0.16225%
12	Synthetic Rate	3.17875%
13	Actual Synthetic Rate	3.22608%
14	Change in Fair Value	(1,657)
15	Optional Termination Date	7/1/2028

Swap Payments and Associated Debt

Using rates as of June 30, 2021, debt service requirements of the variable-rate debt and net swap payments are as follows. Interest calculations were based on rates as of June 30, 2021. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year Ending June 30	Variable-Rate Bond Principal	Variable-Rate Bond Interest	Interest Rate Swap, Net	Total
2022	$ 1,670	$ 730	$ 4,437	$ 6,837
2023	1,530	728	4,393	6,651
2024	1,405	727	4,361	6,493
2025	2,330	711	4,318	7,359
2026	3,125	656	4,238	8,019
2027 - 2031	24,535	2,589	19,642	46,766
2032 - 2036	46,415	1,718	15,603	63,736
2037 - 2041	56,825	922	8,747	66,494
2042 - 2046	35,595	238	2,630	38,463
2047 - 2051	6,585	14	356	6,955
	$ 180,015	$ 9,033	$ 68,725	$ 257,773

NOTE 13 LINE OF CREDIT - BANK OF NORTH DAKOTA

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2021, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2022. The line of credit bears interest at 2.25%.

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2020, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2020. The line of credit bears interest at 3.93%.

The Agency did not make draws on this line of credit during the years ending June 30, 2021 and 2020.

(In Thousands)

NOTE 14 LETTER OF CREDIT - FEDERAL HOME LOAN BANK OF DES MOINES

The following is a summary of changes in the letter of credit with the Federal Home Loan Bank (FHLB) of Des Moines for the year ended June 30, 2021 and 2020:

Balance July 1, 2019	$ -
Principal payments on advance from Federal Home Loan Banks	(13,566)
Loan advance from Federal Home Loan Banks	13,566
Balance July 1, 2020	-
Principal payments on advance from Federal Home Loan Banks	(17,289)
Loan advance from Federal Home Loan Banks	17,289
Balance June 30, 2021	$ -

The Agency maintains a collateral pledge agreement with the FHLB covering secured advances whereby the Agency has agreed to retain residential real estate loans and marketable securities, free of all other pledges, liens and encumbrances. The pledged loans and securities are discounted by FHLB when determining their borrowing capacity. The aggregate borrowing capacity of eligible collateral was approximately $21,292 as of June 30, 2021. In addition, borrowings are collateralized by $30,585 of loans receivable and $145 of cash and investments. The aggregate borrowing capacity of eligible collateral was approximately $29,824 as of June 30, 2020. In addition, borrowings are collateralized by $47,860 of loans receivable and $147 of cash and investments as of June 30, 2021.

NOTE 15 PENSION PLAN

North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees, and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

(In Thousands)

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Agency reported a liability of $6,775 and $2,760 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2020, the Agency's proportion was 0.215351 percent, which was a decrease of 0.0201 percent from its proportion measured of 0.235478 as of June 30, 2019.

For the year ended June 30, 2021, the Agency recognized pension expense of $1,127. At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26	$ (344)
Changes of assumptions	3,632	(600)
Net difference between projected and actual earnings on pension plan investments	219	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	21	(256)
Employer contributions subsequent to the measurement date	188	-
Total	$ 4,086	$ (1,200)

(In Thousands)

$188 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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 as follows:

Year ended June 30:		
2022	$	808
2023		695
2024		553
2025		642

For the year ended June 30, 2020, the Agency recognized pension expense of $476. At June 30, 2020, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2	$ (501)
Changes of assumptions	1,031	(885)
Net difference between projected and actual earnings on pension plan investments	48	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	35	(93)
Employer contributions subsequent to the measurement date	173	-
Total	$ 1,289	$ (1,479)

$173 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

(In Thousands)

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.50%

Salary increases

Service At Beginning of Year	State Employee	Non-State Employee
0	12.00%	15.00%
1	9.50%	10.00%
2	7.25%	8.00%
3		
4		
Age		
Under 30	7.25%	10.00%
30-39	6.50%	7.50%
40-49	6.25%	6.75%
50-59	5.75%	6.50%
60+	5.00%	5.25%

*Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

(In Thousands)

The long-term expected rate of return on pension plan investments was determined using a building-block 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 arithmetic real rates of return for each major asset class included in the Fund's target asset allocation for the years ended June 30, 2021 and 2020 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return 2021	Long-Term Expected Real Rate of Return 2020
Domestic Equity	30%	6.30%	6.25%
International Equity	21%	6.85%	6.95%
Private Equity	7%	9.75%	10.15%
Domestic Fixed Income	23%	1.25%	2.11%
Global Real Assets	19%	5.01%	5.41%

Discount rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the July 1, 2020 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

For the purpose of the July 1, 2019 valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

(In Thousands)

Sensitivity of the Agency's proportionate share of the net pension liability to changes in the discount rate

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 4.64 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate at June 30, 2021:

	1% Decrease 3.64%	Current Discount Rate 4.64%	1% Increase 5.64%
Employer's proportionate share of the net pension liability	$ 8,790	$ 6,775	$ 5,126

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-1657.

NOTE 16 OPEB PLAN

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021 and 2020, the Agency reported a liability of $178 and $189 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the Agency's proportion was 0.211870 percent, which is a decrease of 0.023281 percent from its proportion measured of 0.235151 percent as of June 30, 2020.

(In Thousands)

For the year ended June 30, 2021, the Employer recognized OPEB expense of $22 At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4	$ (4)
Changes of assumptions	24	-
Net difference between projected and actual earnings on OPEB plan investments	6	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(19)
Employer contributions subsequent to the measurement date	27	-
Total	$ 61	$ (23)

$27 reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ 2
2023	4
2024	3
2025	2

(In Thousands)

For the year ended June 30, 2020, the Employer recognized OPEB expense of $24. At June 30, 2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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$29 reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

Actuarial assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

(In Thousands)

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 and 2020 are summarized in the following table:

Asset Class	2021 Target Allocation	2020 Target Allocation	Long-Term Expected Real Rate of Return 2021	Long-Term Expected Real Rate of Return 2020
Large Cap Domestic Equities	33%	33%	6.10%	6.00%
Small Cap Domestic Equities	6%	6%	7.00%	7.30%
Domestic Fixed Income	40%	40%	1.15%	2.07%
Core-Plus Fixed Income	21%	21%	6.45%	6.95%

Discount rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Agency's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease 6.50%	**Current Discount 7.50%**	**1% Increase 8.50%**
Employer's proportionate share of the net OPEB liability	$ 234	$ 178	$ 131

(In Thousands)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota, 58502-1657.

NOTE 17 COMMITMENTS AND CONTINGENCIES

Amounts received from federal grantor agencies are subject to audit and adjustment by the federal grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor will be recognized in the year determined.

In the normal course of business, the Agency makes various commitments that are not reflected in the accompanying financial statements. These commitments include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolutions.

The Agency's exposure to credit loss is represented by the contractual amount of these commitments. The Agency follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	2021	2020
Commitments to extend credit	$ 90,155	$ 73,784
Loan Acquisition Fund	$ 102,833	$ 57,420

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Agency, is based on management's credit evaluation of the customer.

The Bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reductions.

As of June 30, 2021 and 2020, the Agency had outstanding guarantees on loans owned by financial institutions in the amount of $18 and $0, respectively.

NOTE 18 FUND NET POSITION

Based on certain bond covenants, all assets and fund net position of the Homeownership Bond fund are restricted for debt service.

The Agency operating fund has investment securities pledged under the 1994 and 2009 General Bond Resolutions. The financial statements identify this fund as unrestricted, however, all Agency net position is a reserved general obligation of the bond series. The general obligation (issuer) rating by Moody's Investor Service (a national financial rating service) is influenced by the relationship of Agency net position to several other financial statement factors and major investors monitor the amount of net position as additional collateral for the publicly traded bond investments.

NOTE 19 RISK MANAGEMENT

The Agency 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. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of $250 per person and $1,000 per occurrence. The Agency is also covered through a casualty obligatory excess of loss reinsurance contract that RMF has with an outside party that provides additional coverage amount of $250 per person and $1,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the Agency with blanket fidelity bond coverage in the amount of $2,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The Agency, as a contributor to RMF, participates in the North Dakota Workforce Safety & Insurance (NDWSI), an Enterprise Fund of the State of North Dakota. The NDWSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

(In Thousands)

NOTE 20 SEGMENT INFORMATION

The Agency maintains two Enterprise Funds which provide loans to finance construction of residential housing and single family homeownership.

Statement of Net Position segment information as of and for the year ended June 30, 2021, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	$ 36,394	$ 323,826	$ (3,888)	$ 356,332
Capital assets - net	11	-	-	11
Noncurrent assets - other	11,190	1,242,287	-	1,253,477
Total assets	47,595	1,566,113	(3,888)	1,609,820
Deferred outflow of resources	4,147	10,361	-	14,508
Current liabilities - other	22,751	56,314	(3,888)	75,177
Noncurrent liabilities - other	11,973	1,319,044	-	1,331,017
Total liabilities	34,724	1,375,358	(3,888)	1,406,194
Deferred inflow of resources	1,223	-	-	1,223
Invested in capital assets	11	-	-	11
Net position - unrestricted	15,784	-	-	15,784
Net position - restricted	-	201,116	-	201,116
Total net position	$ 15,795	$ 201,116	$ -	$ 216,911

Statement of Net Position segment information as of and for the year ended June 30, 2020 (restated), was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	$ 32,176	$ 266,052	$ (15,630)	$ 282,598
Capital assets - net	17	-	-	17
Noncurrent assets - other	10,912	1,295,238	-	1,306,150
Total assets	43,105	1,561,290	(15,630)	1,588,765
Deferred outflow of resources	1,346	16,132	-	17,478
Current liabilities - other	20,727	65,541	(15,630)	70,638
Noncurrent liabilities - other	7,953	1,315,440	-	1,323,393
Total liabilities	28,680	1,380,981	(15,630)	1,394,031
Deferred inflow of resources	1,492	-	-	1,492
Invested in capital assets	17	-	-	17
Net position - unrestricted	14,262	-	-	14,262
Net position - restricted	-	196,441	-	196,441
Total net position	$ 14,279	$ 196,441	$ -	$ 210,720

(In Thousands)

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2021, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Revenues, Expenses and Change in Fund Net Position				
Operating revenues				
Mortgage interest income	$ 49	$ 42,286	$ -	$ 42,335
Investment income	-	3,292	-	3,292
Gain on sale of investments	323	99	-	422
Fee income	10,563	-	(6,613)	3,950
Depreciation	(6)	-	-	(6)
Other operating expenses	(9,991)	(40,912)	6,613	(44,290)
Operating income	938	4,765	-	5,703
Nonoperating revenues (expenses)				
Federal grants	16,233	-	-	16,233
Investment income	57	-	-	57
Federal grants	(16,233)	-	-	(16,233)
Transfers	(33)	-	-	(33)
Change in net position	1,426	4,765	-	6,191
Total net position, beginning of year	14,279	196,441	-	210,720
Equity transfer in (out)	90	(90)	-	-
Total net position, end of year	$ 15,795	$ 201,116	$ -	$ 216,911

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Cash Flows				
Net cash used by operating activities	$ 3,962	$ 91,997	$ -	$ 95,959
Net cash used for noncapital financing activities	1,005	(14,620)	-	(13,615)
Net cash used for capital and related financing activities	-	-	-	-
Net cash from (used by) investing activities	(428)	(9,450)	-	(9,878)
Change in cash and cash equivalents	4,539	67,927	-	72,466
Cash and cash equivalents, beginning of year	28,554	216,924	-	245,478
Cash and cash equivalents, end of year	$ 33,093	$ 284,851	$ -	$ 317,944

(In Thousands)

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2020, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Revenues, Expenses and				
Change in Fund Net Position				
Operating revenues				
Mortgage interest income	$ 83	$ 46,775	$ -	46,858
Investment income	-	5,661	-	5,661
Gain on sale of investments	1,141	1,071	-	2,212
Fee income	9,988	-	(6,613)	3,375
Depreciation	(7)	-	-	(7)
Other operating expenses	(8,439)	(41,208)	6,613	(43,034)
Operating income	2,766	12,299	-	15,065
Nonoperating revenues (expenses)				
Federal grants	13,490	-	-	13,490
Investment income	455	-	-	455
Federal grants	(13,490)	-	-	(13,490)
Transfers	(44)	-	-	(44)
Change in net position	3,177	12,299	-	15,476
Total net position, beginning of year	11,331	183,913	-	195,244
Equity transfer in (out)	(229)	229	-	-
Total net position, end of year	$ 14,279	$ 196,441	$ -	$ 210,720
Statement of Cash Flows				
Net cash by operating activities	$ 6,141	$ (50,486)	$ -	$ (44,345)
Net cash used for noncapital financing activities	(10,916)	56,252	-	45,336
Net cash used for capital and related financing activities	(11)	-	-	(11)
Net cash from (used by) investing activities	8,531	(2,568)	-	5,963
Change in cash and cash equivalents	3,745	3,198	-	6,943
Cash and cash equivalents, beginning of year	24,809	213,726	-	238,535
Cash and cash equivalents, end of year	$ 28,554	$ 216,924	$ -	$ 245,478

NOTE 21 OPERATING LEASES

The Agency leases office space and office equipment classified as operating leases expiring at varying terms over the next year. Following is a schedule by years of future minimum rental payments required under the operating leases:

Year ending June 30,	
2022	$ 233,160
2023	227,040

Total rental expense was $228 for the years ended June 30, 2021 and 2020.

NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria*, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this

Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

Management has not yet determined what effect these statements will have on the Agency's financial statements.

NOTE 23 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Agency's year end. Subsequent events have been evaluated through October 5, 2021, the date these financial statements were available to be issued.

NORTH DAKOTA HOUSING FINANCE AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

North Dakota Public Employees Retirement System
Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.21535%	$ 6,775	$ 2,426	279.27%	48.91%
2020	0.23548%	2,760	2,443	112.98%	71.66%
2019	0.23697%	4,000	2,510	159.36%	62.80%
2018	0.24299%	3,906	2,481	157.44%	61.98%
2017	0.23284%	2,269	2,346	96.72%	70.46%
2016	0.24345%	1,655	2,169	76.30%	77.15%
2015	0.25277%	1,604	2,129	75.34%	77.70%

North Dakota Public Employees Retirement System
Schedule of Employer Contributions - Pension
Last 10 Fiscal Years*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	$ 188	$ (188)	$ -	$ 2,604	7.22%
2020	173	(173)	-	2,426	7.13%
2019	174	(174)	-	2,443	7.12%
2018	179	(179)	-	2,510	7.13%
2017	180	(180)	-	2,474	7.28%
2016	170	(170)	-	2,314	7.35%
2015	165	(165)	-	2,229	7.40%

*Complete data for these schedules is not available prior to 2015.

NORTH DAKOTA HOUSING FINANCE AGENCY
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

North Dakota Public Employees Retirement System
Schedule of Employer's Share of Net OPEB Liability
Last 10 Fiscal Years*

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2021	0.211870%	$ 178	$ 2,415	7.37%	63.38%
2020	0.235151%	189	2,618	7.22%	63.13%
2019	0.241393%	190	2,661	7.15%	61.89%
2018	0.241038%	191	2,608	7.31%	58.78%

North Dakota Public Employees Retirement System
Schedule of Employer Contributions - OPEB
Last 10 Fiscal Years*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2021	$ 29	$ (29)	$ -	$ 2,520	1.15%
2020	29	(29)	-	2,580	1.12%
2019	30	(30)	-	2,618	1.14%
2018	30	(30)	-	2,661	1.13%

*Complete data for these schedules is not available prior to 2018.

NOTE 1 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS

NDPERS Pension Plan

Change of Benefit Terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

NDPERS OPEB

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%.

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	Total 2020
ASSETS								
CURRENT ASSETS - UNRESTRICTED								
Cash and cash equivalents	$ 13,600	$ -	$ -	$ -	$ 13,600	$ -	$ 13,600	$ 11,155
Due from State Agencies	57	-	-	-	57	-	57	3
Receivables								
Interest								
Loans	2	-	-	-	2	-	2	3
Investments	28	-	-	-	28	-	28	30
Due from HUD	215	-	-	-	215	-	215	232
Other	2,006	-	-	-	2,006	(1,381)	625	666
Current portion of service release premium	863	-	-	-	863	-	863	819
Prepaid expenses	40	26	-	26	66	-	66	63
Total unrestricted current assets	16,811	26	-	26	16,837	(1,381)	15,456	12,971
CURRENT ASSETS - RESTRICTED								
Cash and cash equivalents	19,493	273,222	11,629	284,851	304,344	-	304,344	234,323
Receivables								
Current portion of loans receivable	90	28,090	2,621	30,711	30,801	-	30,801	30,160
Interest								
Loans	-	4,709	351	5,060	5,060	-	5,060	4,737
Investments	-	427	12	439	439	-	439	406
Other	-	2,569	170	2,739	2,739	(2,507)	232	1
Total restricted current assets	19,583	309,017	14,783	323,800	343,383	(2,507)	340,876	269,627
Total current assets	36,394	309,043	14,783	323,826	360,220	(3,888)	356,332	282,598
NONCURRENT ASSETS - UNRESTRICTED								
Service release premium, net	6,093	-	-	-	6,093	-	6,093	5,607
Equipment, net	11	-	-	-	11	-	11	17
Total unrestricted noncurrent assets	6,104	-	-	-	6,104	-	6,104	5,624
NONCURRENT ASSETS - RESTRICTED								
Loans receivable, net of current portion	5,097	1,106,788	81,284	1,188,072	1,193,169	-	1,193,169	1,255,924
Investments	-	50,497	3,718	54,215	54,215	-	54,215	44,619
Total restricted noncurrent assets	5,097	1,157,285	85,002	1,242,287	1,247,384	-	1,247,384	1,300,543
Total noncurrent assets	11,201	1,157,285	85,002	1,242,287	1,253,488	-	1,253,488	1,306,167
Total assets	47,595	1,466,328	99,785	1,566,113	1,613,708	(3,888)	1,609,820	1,588,765
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflow - pension	4,086	-	-	-	4,086	-	4,086	1,289
Deferred outflow - OPEB	61	-	-	-	61	-	61	57
Financial derivative instrument	-	10,361	-	10,361	10,361	-	10,361	16,132
Total deferred outflows of resources	4,147	10,361	-	10,361	14,508	-	14,508	17,478

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2021 AND 2020
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	Total 2020
LIABILITIES								
CURRENT LIABILITIES								
Due to HUD	$ 68	$ -	$ -	$ -	$ 68	$ -	$ 68	$ 19
Due to State Agencies	353	-	-	-	353	-	353	332
Current portion of rebate due to IRS	-	-	-	-	-	-	-	-
Other	2,845	1,922	42	1,964	4,809	(3,888)	921	843
Current portion of compensated absences	-	-	-	-	-	-	-	9
Current portion of bonds payable, net of premium	-	35,862	662	36,524	36,524	-	36,524	32,672
Accrued interest	-	16,693	1,133	17,826	17,826	-	17,826	19,287
Funds held in trust	19,428	-	-	-	19,428	-	19,428	17,399
Grant funds received in advance	57	-	-	-	57	-	57	77
Total current liabilities	22,751	54,477	1,837	56,314	79,065	(3,888)	75,177	70,638
NONCURRENT LIABILITIES								
Compensated absences, net of current portion and premium	361	-	-	-	361	-	361	311
Rebate due to IRS	-	-	-	-	-	-	-	-
Grant funds received in advance	4,659	-	-	-	4,659	-	4,659	4,693
Net pension liability	6,775	-	-	-	6,775	-	6,775	2,760
Net OPEB liability	178	-	-	-	178	-	178	189
Financial derivative instrument	-	10,361	-	10,361	10,361	-	10,361	16,132
Bonds payable, net of current portion and premium	-	1,231,356	77,327	1,308,683	1,308,683	-	1,308,683	1,299,308
Total noncurrent liabilities	11,973	1,241,717	77,327	1,319,044	1,331,017	-	1,331,017	1,323,393
Total liabilities	34,724	1,296,194	79,164	1,375,358	1,410,082	(3,888)	1,406,194	1,394,031
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow - pension	1,200	-	-	-	1,200	-	1,200	1,479
Deferred inflow - OPEB	23	-	-	-	23	-	23	13
Financial derivative instrument	-	-	-	-	-	-	-	-
Total deferred inflows of resources	1,223	-	-	-	1,223	-	1,223	1,492
NET POSITION								
Invested in capital assets	11	-	-	-	11	-	11	17
Restricted for debt service	-	180,495	20,621	201,116	201,116	-	201,116	196,441
Unrestricted	15,784	-	-	-	15,784	-	15,784	14,262
Total net position	$ 15,795	$ 180,495	$ 20,621	$ 201,116	$ 216,911	$ -	$ 216,911	$ 210,720

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	Total 2020
OPERATING REVENUES								
Mortgage interest income	$ 49	$ 39,057	$ 3,229	$ 42,286	$ 42,335	$ -	$ 42,335	$ 46,858
Investment income	-	3,264	28	3,292	3,292	-	3,292	5,661
Gain on sale of investments	323	99	-	99	422	-	422	2,212
Fee income	10,563	-	-	-	10,563	(6,613)	3,950	3,375
Total revenues	10,935	42,420	3,257	45,677	56,612	(6,613)	49,999	58,106
OPERATING EXPENSES								
Interest expense	3	30,078	1,988	32,066	32,069	-	32,069	33,055
Agency grants	231	-	-	-	231	-	231	249
Administrative and operating expenses	4,786	8,410	436	8,846	13,632	(6,613)	7,019	5,520
Salaries and benefits	3,822	-	-	-	3,822	-	3,822	3,710
Pension expense	1,127	-	-	-	1,127	-	1,127	476
OPEB expense	22	-	-	-	22	-	22	24
Depreciation	6	-	-	-	6	-	6	7
Total expenses	9,997	38,488	2,424	40,912	50,909	(6,613)	44,296	43,041
OPERATING INCOME	938	3,932	833	4,765	5,703	-	5,703	15,065
NONOPERATING REVENUE (EXPENSES)								
Federal grants	16,233	-	-	-	16,233	-	16,233	13,490
Non-federal grants	464	-	-	-	464	-	464	-
Investment income	57	-	-	-	57	-	57	455
Federal grants	(16,233)	-	-	-	(16,233)	-	(16,233)	(13,490)
Total nonoperating revenues (expenses)	521	-	-	-	521	-	521	455
CHANGE IN ASSETS BEFORE TRANSFERS	1,459	3,932	833	4,765	6,224	-	6,224	15,520
TRANSFERS								
Transfer from ND Department of Human Services	-	-	-	-	-	-	-	-
Transfer to Industrial Commission	(33)	-	-	-	(33)	-	(33)	(44)
CHANGE IN NET POSITION	1,426	3,932	833	4,765	6,191	-	6,191	15,476
TOTAL NET POSITION, BEGINNING OF YEAR	14,279	176,653	19,788	196,441	210,720	-	210,720	195,244
TRANSFER IN (OUT)	90	(90)	-	(90)	-	-	-	-
TOTAL NET POSITION, END OF YEAR	$ 15,795	$ 180,495	$ 20,621	$ 201,116	$ 216,911	$ -	$ 216,911	$ 210,720

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(in Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	Total 2020
OPERATING ACTIVITIES								
Receipts from customers	$ 17,326	$ 388,115	$ 33,096	$ 421,211	$ 438,537	$ (18,308)	$ 420,229	$ 233,175
Proceeds from sale of loans receivable	16,596	27,732	-	27,732	44,328	-	44,328	37,345
Interfund mortgages loan purchases and sales	-	10,939	7,293	18,232	18,232	-	18,232	(108,218)
Grant funds received in advance	(52)	-	-	-	(52)	-	(52)	56
Payment of grants	(166)	-	-	-	(166)	-	(166)	(36)
Payments to service providers								
State agencies	(5,228)	-	-	-	(5,228)	-	(5,228)	(3,705)
Mortgage loan purchases	(16,617)	(341,131)	(7,293)	(348,424)	(365,041)	-	(365,041)	(190,548)
Other	(4,250)	(15,782)	(10,873)	(26,655)	(30,905)	18,308	(12,597)	(8,708)
Payments to employees	(3,647)	(99)	-	(99)	(3,746)	-	(3,746)	(3,706)
Net cash provided by (used for) operating activities	3,962	69,774	22,223	91,997	95,959	-	95,959	(44,345)
NONCAPITAL FINANCING ACTIVITIES								
Principal payments on loan from BND / FHLB	(17,289)	-	-	-	(17,289)	-	(17,289)	(13,566)
Principal payments on bonds payable	-	(213,545)	(19,665)	(233,210)	(233,210)	-	(233,210)	(109,720)
Proceeds from loan borrowings from BND / FHLB	17,289	-	-	-	17,289	-	17,289	13,566
Proceeds from bond issuance	-	252,694	-	252,694	252,694	-	252,694	185,204
Interest paid on loans and bonds	(3)	(31,232)	(2,295)	(33,527)	(33,530)	-	(33,530)	(30,104)
Proceeds from non-federal grants	464				464		464	-
Proceeds from federal grants	16,233	-	-	-	16,233	-	16,233	13,490
Payment of federal grants	(16,233)	-	-	-	(16,233)	-	(16,233)	(13,490)
Transfers to Industrial Commission	(33)	-	-	-	(33)	-	(33)	(44)
Interfund transfer in (out)	577	(577)	-	(577)	-	-	-	-
Net cash provided by (used for) noncapital financing activities	1,005	7,340	(21,960)	(14,620)	(13,615)	-	(13,615)	45,336

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(in Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	2020
CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchase of equipment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (11)
Net cash used for capital and related financing activities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (11)
INVESTING ACTIVITIES								
Purchase of investments	(4,584)	(24,429)	(1,793)	(26,222)	(30,806)	-	(30,806)	(21,027)
Proceeds from sale of investments	4,006	15,005	1,767	16,772	20,778	-	20,778	26,665
Interest received from investments	150	-	-	-	150	-	150	325
Net cash provided by (used for) investing activities	(428)	(9,424)	(26)	(9,450)	(9,878)	-	(9,878)	5,963
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,539	67,690	237	67,927	72,466	-	72,466	6,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,554	205,532	11,392	216,924	245,478	-	245,478	238,535
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 33,093	$ 273,222	$ 11,629	$ 284,851	$ 317,944	$ -	$ 317,944	$ 245,478
Cash and Cash Equivalents - Unrestricted	$ 13,600	$ -	$ -	$ -	$ 13,600	$ -	$ 13,600	$ 11,155
Cash and Cash Equivalents - Restricted	19,493	273,222	11,629	284,851	304,344	-	304,344	234,323
	$ 33,093	$ 273,222	$ 11,629	$ 284,851	$ 317,944	$ -	$ 317,944	$ 245,478

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020
(in Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2021	Total 2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	$ 938	$ 3,932	$ 833	$ 4,765	$ 5,703	$ -	$ 5,703	$ 15,065
Adjustments to reconcile operating income to net cash from operating activities:								
Depreciation	6	-	-	-	6	-	6	7
Amortization								
Original issue discounts and premiums	-	(5,760)	(497)	(6,257)	(6,257)	-	(6,257)	(5,902)
Service release premiums	2,146	-	-	-	2,146	-	2,146	1,495
(Increase) decrease in fair value of investments	-	287	56	343	343	-	343	(583)
Reclassification of interest expense to other activities	3	30,043	1,990	32,033	32,036	-	32,036	32,869
Effect on cash flows due to changes in:								
Deferred outflow - pension	(2,796)	-	-	-	(2,796)	-	(2,796)	388
Deferred outflow - OPEB	(4)	-	-	-	(4)	-	(4)	(6)
Deferred inflows - pension	(279)	-	-	-	(279)	-	(279)	1,154
Deferred inflows - OPEB	10	-	-	-	10	-	10	2
Effect on cash flows due to changes in:								
Due from HUD	17	-	-	-	17	-	17	298
Due from State Agencies	(54)	-	-	-	(54)	-	(54)	2
Service release premium	(2,675)	-	-	-	(2,675)	-	(2,675)	(1,838)
Other receivables	339	7,132	4,078	11,210	11,549	(11,696)	(147)	126
Prepaid expenses	5	(9)	-	(9)	(4)	-	(4)	2
Loan interest receivable	1	(415)	93	(322)	(321)	-	(321)	(469)
Loans receivable	261	36,239	25,612	61,851	62,112	-	62,112	(87,712)
Due to HUD	48	-	-	-	48	-	48	7
Due to State Agencies	21	-	-	-	21	-	21	315
Rebate due to IRS	-	-	-	-	-	-	-	(90)
Other liabilities	(46)	(1,675)	(9,942)	(11,617)	(11,663)	11,696	33	(633)
Compensated absences	42	-	-	-	42	-	42	(24)
Funds held in trust	2,029	-	-	-	2,029	-	2,029	2,459
Net pension liability	4,004	-	-	-	4,004	-	4,004	(1,241)
Grant funds received in advance	(54)	-	-	-	(54)	-	(54)	(36)
Net cash provided by (used for) operating activities	$ 3,962	$ 69,774	$ 22,223	$ 91,997	$ 95,959	$ -	$ 95,959	$ (44,345)
Non-cash disclosures:								
Increase (decrease) in fair value of investments	$ (90)	$ (286)	$ (56)	$ (342)	$ (432)	$ -	$ (432)	$ 792
Fair value transfers	$ (90)	$ 90	$ -	$ 90	$ -	$ -	$ -	$ -
Investment transfers	$ 577	$ (577)	$ -	$ (577)	$ -	$ -	$ -	$ -

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

Line Item #	Description	Rent Supplements - Rental Housing for Lower Income Families	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitate ND901MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0003	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0004	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0005	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0006	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0008
	Assets							
111	Cash - Unrestricted	872,791	73,712	33,893	20,903	28,614	117,215	20,244
113	Cash - Other Restricted	4	-	-	-	-	-	-
115	Cash - Restricted for payment of current liability	-	14,631	14,833	7,961	8,708	6,339	15,126
100	**Total Cash**	**872,795**	**88,343**	**48,726**	**28,864**	**37,322**	**123,554**	**35,370**
122	Accounts Receivable - HUD Other Projects	157,838	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
120	**Total Receivables, net of allowances for**	**157,838**	**-**	**-**	**-**	**-**	**-**	**-**
142	Prepaid Expenses and Other Assets	10,794	6	4	3	4	6	2
150	**Total Current Assets**	**1,041,427**	**88,349**	**48,730**	**28,867**	**37,326**	**123,560**	**35,372**
160	**Total Fixed Assets, Net of Accumulated Depreciation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
180	**Total Non-Current Assets**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
190/290	**Total Assets**	**1,041,427**	**88,349**	**48,730**	**28,867**	**37,326**	**123,560**	**35,372**
	Liabilities and Equity							
311	Bank Overdraft	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	60,756	1,024	636	459	600	1,059	424
331	Accounts Payable - HUD PHA Programs	4	14,631	14,833	7,961	8,708	6,339	15,126
310	**Total Current Liabilities**	**60,760**	**15,655**	**15,469**	**8,420**	**9,308**	**7,398**	**15,550**
350	**Total Noncurrent Liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
300	**Total Liabilities**	**60,760**	**15,655**	**15,469**	**8,420**	**9,308**	**7,398**	**15,550**
508	Total Contributed Capital	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	-	-	-	-	-	-
509.2	Fund Balance Reserved	-	-	-	-	-	-	-
511.4	Restricted Net Position	4	14,631	14,833	7,961	8,708	6,339	15,126
512.4	Unrestricted Net Position	980,663	58,063	18,427	12,486	19,309	109,823	4,698
513	**Total Equity/Net Assets**	**980,667**	**72,694**	**33,260**	**20,447**	**28,017**	**116,162**	**19,824**
600	**Total Liabilities and Equity/Net Assets**	**1,041,427**	**88,349**	**48,729**	**28,867**	**37,325**	**123,560**	**35,374**

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

Line Item #	Description	Rent Supplements - Rental Housing for Lower Income Families	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitate ND901MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0003	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0004	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0005	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0006	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0008
	Revenue							
70500	Total Tenant Revenue	-	-	-	-	-	-	-
70600	HUD PHA Operating Grants	14,006,599	153,603	41,276	58,602	99,627	107,268	62,328
71100	Investment Income - Unrestricted	-	-	-	-	-	-	-
72000	Investment Income - Restricted	853	7	4	3	4	7	3
700	**Total Revenue**	**14,007,452**	**153,610**	**41,280**	**58,605**	**99,631**	**107,275**	**62,331**
	Expenses							
91100	Administrative Salaries	331,633	7,536	4,679	3,379	4,419	7,798	3,119
91200	Auditing Fees	10,076	139	87	63	82	145	58
91500	Employee Benefit Contribution - Administrative	160,580	3,831	2,378	1,718	2,246	3,964	1,586
91600	Office Expense	58,865	1,463	908	656	857	1,513	604
91800	Travel	7,744	-	-	-	-	-	-
91900	Other	127,166	5,431	3,369	2,434	3,183	5,617	2,247
96900/91000	**Total Operating Expenses**	**696,064**	**18,400**	**11,421**	**8,250**	**10,787**	**19,037**	**7,614**
97000	**Excess Operating Revenue over Operating Expenses**	**13,311,388**	**135,210**	**29,859**	**50,355**	**88,844**	**88,238**	**54,717**
97300	Housing Assistance Payments	13,281,899	126,408	24,396	46,409	83,684	79,132	51,075
90000	**Total Expenses**	**13,977,963**	**144,808**	**35,817**	**54,659**	**94,471**	**98,169**	**58,689**
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
10000	**Excess (Deficiency) of Operating Revenue Over (Under) Expenses**	**29,489**	**8,802**	**5,463**	**3,946**	**5,160**	**9,106**	**3,642**
	Memo Account Information							
11020	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-
11030	Beginning Equity	951,178	63,892	27,797	16,501	22,857	107,056	16,182
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-
11130	Maximum Annual Contributions Commitment (per ACC)	13,287,357	196,198	57,031	69,189	108,471	113,052	61,349
11140	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-	-
11150	Contingency Reserve, ACC Program Reserve	5,422,913	19,967	24,568	39,122	36,676	68,096	14,022
11160	**Total Annual Contributions Available**	**18,710,270**	**216,165**	**81,599**	**108,311**	**145,147**	**181,148**	**75,371**
11190/11200	Unit Months Available	31,216	348	216	156	204	360	144
11210	Number of Unit Months Leased	31,216	296	66	102	178	229	135

NORTH DAKOTA HOUSING FINANCE AGENCY
ADJUSTED NET WORTH CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)

A. Adjusted net worth calculation

Stockholder's equity per statement of financial condition at end of reporting period		$ 216,911
Less:		
Itemized unacceptable assets		
1. Due from state agencies	$ (57)	
2.	$ -	
3.	$ -	
Total unacceptable assets		$ (57)
Adjusted net worth		$ 216,854

B. Required net worth calculation

Unpaid principal balance of securities outstanding (Note: number of pools = 35)	$ 181,432
Plus:	
Outstanding balance of commitment authority issued and requested	$ 16,931
Total outstanding portfolio and authority	$ 198,363
Required net worth	$ 3,135

C. Excess (deficit) net worth

(Adjusted net worth - required net worth)	$ 213,719

NORTH DAKOTA HOUSING FINANCE AGENCY
INSURANCE COVERAGE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)

A. Identification of affiliated Ginnie Mae issuers

Affiliated Ginnie Mae issuers (Issuer name and Ginnie Mae issuer identification code)	None
Affiliated issuers on same insurance policies (Issuer name and Ginnie Mae issuer identification number)	None

B. Required insurance calculation

Servicing portfolio	
Ginnie Mae	$ 181,432
Fannie Mae	-
Freddie Mac	-
Conventional (other)	1,253,716
Total servicing portfolio	1,435,148
Required fidelity bond coverage	1,960
Required mortgage servicing errors and omissions coverage	1,960

C. Verification of insurance coverage

Fidelity bond coverage at end of reporting period	2,000
Mortgage servicing errors and omissions coverage at end of reporting period	2,000

D. Excess (deficit) insurance coverage

Fidelity bond coverage	40
Required servicing errors and omissions coverage	40

E. Ginnie Mae loss payable endorsement

Fidelity bond coverage	Yes
Mortgage servicing errors and omissions coverage	Yes

NORTH DAKOTA HOUSING FINANCE AGENCY
CAPITAL REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)

A. Capital requirement for depository institutions

Tier 1 capital	$ -	
Total capital	$ -	
Risk-based assets	$ -	
Total assets	$ -	
Tier 1 capital / total assets		- %
Tier 1 capital / risk-based assets		- %
Total capital / risk-based assets		- %
		Meets
5% of tier 1 capital / total assets	$ -	N/A
6% of tier 1 capital / risk-based assets	$ -	N/A
10% of total capital / risk-based assets	$ -	N/A

B. Capital requirement for nodepository institutions

Total adjusted net worth	$ 216,854	
Total assets	$ 1,609,820	
		Meets
Total adjusted net worth / total assets	13.47%	yes

NORTH DAKOTA HOUSING FINANCE AGENCY
LIQUID ASSET REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)

A. Liquid asset calculation		
Required net worth (from adjusted net worth calculation, page 70)		$ 3,135
Acceptable liquid assets		
1. Cash and cash equivalents	$ 13,600	
Total liquid assets		$ 13,600
B. Required liquid asset		
		Meets Requirement?
Excess (deficit) liquid (Total liquid assets / required net worth)	434%	yes

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Federal Agency	Federal AL Number	Pass-Through Identifier	Passed Through to Subrecipients	Expenditures
Department of Housing and Urban Development				
Federal Housing Commission Division				
Mortgage Insurance - Homes	14.117		$ -	$ 150,214,465
Rent Supplements - Rental Housing for Lower Income Families	14.149		-	13,977,962
Housing Counseling Assistance Program	14.169		45,235	45,235
Housing Trust Fund	14.275		-	2,567,622
Community Planning and Development Division				
Pass through from ND Department of Commerce				
HOME Investment Partnership Program	14.239	M17-SG380100 M18-SG380100		47,274
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation / Section 8 Project-Based Cluster	14.856		-	486,612
Continuum of Care - Planning	14.267		-	55,341
Homeless Management Information System Capacity Building Project	14.261		-	17,200
Passed through City of Minot:				
Community Development Block Grant - National Disaster Resilience Competition / CDBG-Disaster Recover Grants Cluster	14.269	B-13-MS-38-002	-	10,304
Total Department of Housing and Urban Development			$ 45,235	$ 167,422,017
Department of Veterans Affairs				
Veterans Benefits Administration Division				
Veterans Housing - Guaranteed and Insured Loans	64.114		-	6,978,541
TOTAL			$ 45,235	$ 174,400,558

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "schedule") includes the federal award activity of North Dakota Housing Finance Agency under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of North Dakota Housing Finance Agency, it is not intended to and does not present the financial position, change in net position, or cash flows of North Dakota Housing Finance Agency.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

North Dakota Housing Finance Agency has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

NOTE 4 LOAN GUARANTEES AND INSURANCE

The following is the balance of federal loan guarantees and insurance outstanding for the loan programs which appear on the schedule of expenditures of federal awards as of June 30, 2021.

Federal Program	Federal CFDA Number	1/0/00 Balance
Mortgage Insurance - Homes	14.117	$ 836,167,502
Veterans Housing - Guaranteed and Insured Loans	64.114	100,982,846

BradyMartz

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited, in accordance with the 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, the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency's basic financial statements, and have issued our report thereon dated October 5, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 5, 2021

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on Compliance for Each Major Federal Program

We have audited North Dakota Housing Finance Agency's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North Dakota Housing Finance Agency's major federal programs for the year ended June 30, 2021. North Dakota Housing Finance Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Agency's major HUD programs and the related direct and material compliance requirements are as follows:

Name of Major HUD Program	Direct and Material Compliance Requirements
Federal Housing Commission Division Mortgage Insurance – Homes – AL 14.117 & AL 64.114	Special Tests and Provisions – Quality Control Plan Special Tests and Provisions – Delinquent Loans Special Tests and Provisions – Insurance Claims Special Tests and Provisions – Escrow Accounts
Housing Trust Fund – CFDA 14.275	Activities Allowed or Unallowed Allowable Costs/Cost Principles Eligibility Matching, Level of Effort, Earmarking Program Income Special Tests and Provisions – Maximum Per-Unit Subsidy and Underwriting and Subsidy Layering Requirements Special Tests and Provisions – Drawdowns of HTF Funds

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Dakota Housing Finance Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Dakota Housing Finance Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of North Dakota Housing Finance Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, North Dakota Housing Finance Agency, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of North Dakota Housing Finance Agency, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Dakota Housing Finance Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 5, 2021

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	x	no
Significant deficiency(ies) identified?	____	yes	x	none reported
Noncompliance material to financial statements noted?	____	yes	x	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	x	no
Significant deficiency(ies) identified?	____	yes	x	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	____	yes	x	no

CFDA Number(s)	Name of Federal Program or Cluster
14.117	Mortgage Insurance – Homes
14.275	Housing Trust Fund
64.114	Veteran's Housing – Guaranteed and Insured Loans

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as a low-risk auditee?	x	yes	____	no

Section II - Financial Statement Findings

There are no findings which are required to be reported under this section.

Section III - Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

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INDEPENDENT AUDITOR'S COMMENTS REQUESTED BY THE LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee require that certain items be addressed by independent certified public accountants performing audits of state agencies. These items and our responses are as follows:

Audit Report Communications:

1. What type of opinion was issued on the financial statements?

   Unmodified opinion.

2. Was there compliance with statues, laws, rules, regulations under which the agency was created and is functioning?

   Yes - A review was made of Chapter 54-17 and other pertinent chapters of the North Dakota Century Code and we felt the Agency operated within the statutes, laws, rules and regulations under which it was created.

3. Was internal control adequate and functioning effectively?

   Yes.

4. Were there any indications of lack of efficiency in financial operations and management of the Agency?

   No.

5. Was action taken on prior audit findings and recommendations?

   There were no prior year findings.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.

   No.

Audit Committee Communications:

7. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

   None.

8. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of these estimates.

   The most sensitive estimates affecting the financial statements were:

   Fair value of investments – Management's estimate of investments is based on the exchange value of investments between two willing parties. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

   Fair value of financial derivative instruments – Management's estimate of the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. We evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that they are reasonable in relation to the financial statements taken as a whole.

   Net pension liability – Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increase, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

   Net OPEB liability – Management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

9. Identify any significant audit adjustments.

   None.

10. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matter that could be significant to the financial statements.

    None.

11. Identify any significant difficulties encountered in performing the audit.

    None.

12. Identify any major issues discussed with management prior to retention.

    None.

13. Identify any management consultations with other accountants about auditing and accounting matters.

    None.

14. Identify any high-risk information technology systems critical to the operations based on the auditor's overall assessment of the importance of the system to the Agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

    Housing and Development Software, Dynamic Loan System, Loan Tracking and the general ledger and accounting system developed by the Agency are considered to be significant information technology systems critical to operation of the Agency. We would not consider these to be high risk based upon our inspection and understanding of the Agency's system of internal control over these significant information technology systems.

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Assembly, Advisory Board, management, others within the entity, and the federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

October 5, 2021

BradyMartz

October 5, 2021

Governor Doug Burgum
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the business-type activities of North Dakota Housing Finance Agency, a department of the State of North Dakota, for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 28, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Housing Finance Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> *Fair value of investments* – Management's estimate of investments is based on the exchange value of investments between two willing parties. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Fair value of financial derivative instruments – Management's estimate of the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. We evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that they are reasonable in relation to the financial statements taken as a whole.

Net pension liability – Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increase, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Net OPEB liability – Management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 5, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of employer's share of net pension liability, schedule of employer contributions – pension, employer's share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statement of net position, combining statement of revenues, expenses and changes in fund net position, combining statement of cash flows, Housing and Urban Development – Section 8 Financial Data Schedule, adjusted net worth calculation, insurance coverage schedule, capital requirement calculation, liquid asset requirement calculation, schedule of expenditures of federal awards, notes to the schedule of expenditures of federal awards and comments requested by the Legislative Audit and Fiscal Review Committee, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board and management of the North Dakota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Brady Martz

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