NORTH DAKOTA HOUSING FINANCE AGENCY
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

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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 Audit of the Financial Statements

Opinion

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, 2023 and 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the North Dakota Housing Finance Agency, as of June 30, 2023 and 2022, and the respective changes in financial position, cash flows thereof and 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the North Dakota Housing Finance Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Housing Finance Agency's basic financial statements. The combining financial statements 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 13, 2023, on our consideration of the North Dakota Housing Finance 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 North Dakota Housing Finance 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 North Dakota Housing Finance Agency's internal control over financial reporting and compliance.

Brady Martz

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

October 13, 2023

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, 2023 and 2022. 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 FY2023, mortgage loans receivable increased $247,959 to $1,576,122. This included $366,844 of new loans purchased, $1,354 of Loans sold to FHLB, $122,948 of repaid principal on mortgage loans and an increase in loan premiums of $5,417 and increase in mortgage loan loss reserve of $3.

In FY2022, mortgage loans receivable increased $104,193 to $1,328,163. This included $340,581 of new loans purchased, $28,880 of Loans securitized into an MBS, $205,917 of repaid principal on mortgage loans and an increase in loan premiums of $3,114 and decrease in mortgage loan loss reserve of $10.

In FY2023, Bonds Payable increased $120,770 from the FY2022 Bonds Payable to $1,600,377. This included the issuance of $240,000 new Mortgage Revenue Bonds, $5,000 in multifamily Bonds, $123,540 Bonds being called or maturing and a net decrease in Bond premiums of $690. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

In FY2022, Bonds Payable increased $134,400 from the FY2021 Bonds Payable to $1,479,607. This included the issuance of $401,300 new Bonds, $266,540 Bonds being called or maturing and a net decrease in Bond premiums of $360. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

The Agency did not draw on either the BND or Federal Home Loan Bank lines of credit in FY2023 and FY2022, however both lines remained available to the Agency. The beginning and ending balances in FY2023 and FY2022 were $0 for both FHLB and BND.

The Agency's FY2023 net position increased $13,285 to $232,204 as a result of the year's program operations and financing activities.

The Agency's FY2022 net position increased $2,008 to $218,919 as a result of the year's program operations and financing activities.

FY2023 Income Before Transfers of $13,293 was higher than FY2022 by $11,263 as a result of increases in investment income due to the rising interest rate environment during the past fiscal year. This primarily affected the MBS investments in the Debt Service Reserve Accounts. Mortgage interest income and Bond interest expense were both up from FY2022 in approximately equal amounts.

Operating revenues in FY2023 of $65,371 were up $21,005 as a result of higher mortgage and investment income than in the prior year. This was partially offset by a loss on the sale of investments and a slight decrease in fee income. The Agency continues to fund mortgage loans at a fast pace given the rise in mortgage rates and the rates on mortgage revenue bonds over the last year continuing to be competitive in the mortgage market. Overall this has not had a large effect on the funding of mortgage loans, however the Agency has seen a decrease in loan payoffs due to this increase in mortgage rating making refinances less favorable.

Operating revenues in FY2022 of $44,366 were down $5,633 as a result of lower mortgage and investment income than in the prior year. In addition, the Agency had a loss on the sale of investments. This was partially offset with slightly higher fee income. The Agency continues to fund mortgage loans at a fast pace. Mortgage rates, along with the interest rate on mortgage revenue bonds, have been rising quickly the past few months. This has not had a large effect on the funding of mortgage loans, however we have seen a decrease in loan payoffs.

Operating expenses for FY2023 of $52,234 were up $10,317 from the FY2022 Operating expenses as a result of higher bond interest expense and pension expense. The SRP amortization expense and bond administrative expenses decreased when compared to the prior year.

Operating expenses for FY2022 of $41,917 were down $2,379 from the FY2021 Operating expenses as a result of lower bond interest expense, pension expense, SRP amortization expenses and higher bond admin expenses than what was incurred in the prior year. The decrease in Interest Expense was somewhat offset by the increase in Administrative and Operating Expenses.

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, 2023 and 2022
(In Thousands)

	2023	2022	Change	Percentage
ASSETS				
Unrestricted current assets	$ 15,824	$ 16,792	$ (968)	(6) %
Restricted current assets	259,589	349,503	(89,914)	(26)
Total current assets	275,413	366,295	(90,882)	(25)
Unrestricted noncurrent assets	7,915	7,264	651	9
Restricted noncurrent assets	1,600,851	1,365,724	235,127	17
Total noncurrent assets	1,608,766	1,372,988	235,778	17
Total assets	$ 1,884,179	$ 1,739,283	$ 144,896	8 %
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	$ 5,732	$ 3,279	$ 2,453	75 %
LIABILITIES				
Current liabilities	$ 106,464	$ 82,509	$ 23,955	29 %
Noncurrent liabilities	1,532,278	1,432,574	99,704	7
Total liabilities	$ 1,638,742	$ 1,515,083	$ 123,659	8 %
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources	$ 18,965	$ 8,560	$ 10,405	122 %
NET POSITION				
Invested in capital assets	$ 112	$ 117	$ (5)	(4) %
Restricted for debt service	217,892	201,443	16,449	8
Unrestricted	14,200	17,359	(3,159)	(18)
Total net position	$ 232,204	$ 218,919	$ 13,285	6 %

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2023 and 2022
(In Thousands)

	2023	2022	Change	Percentage	
OPERATING REVENUES					
Mortgage interest income	$ 49,722	$ 39,298	$ 10,424	27	%
Investment income	10,977	464	10,513	2,266	
Gain on sale of investment	(176)	(320)	144	(45)	
Fee income	4,848	4,924	(76)	(2)	
Total revenues	65,371	44,366	21,005	47	%
OPERATING EXPENSES					
Interest expense	39,393	29,156	10,237	35	%
Agency grants	80	215	(135)	(63)	
Administrative and operating expenses	11,381	11,931	(550)	(5)	
Pension expense	1,092	384	708	184	
OPEB expense	49	15	34	-	
Amortization	207	208	(1)	-	
Depreciation	32	8	24	300	
Total expenses	52,234	41,917	10,317	25	%
OPERATING INCOME	13,137	2,449	10,688	436	%
NONOPERATING REVENUES (EXPENSES)					
Federal grants	22,117	15,065	7,052	-	%
Non-federal grants	113	128	(15)	-	
Investment income	43	(547)	590	(108)	
Federal grants	(22,117)	(15,065)	(7,052)	-	
	156	(419)	575	(137)	%
INCOME BEFORE TRANSFERS	13,293	2,030	11,263	555	%
TRANSFERS					
Transfers to Industrial Commission	(8)	(22)	14	(64)	
CHANGE IN NET POSITION	13,285	2,008	11,277	562	%
TOTAL NET POSITION, BEGINNING OF YEAR	218,919	216,911	2,008	1	%
TOTAL NET POSITION, END OF YEAR	$ 232,204	$ 218,919	$ 13,285	6	%

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.

FY2023 Operating investment interest income of $10,977 was up $10,513 from the prior year as a result of the higher interest rate environment. 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.

FY2022 Operating investment interest income of $464 was down $2,828 from the prior year as a result of the change in fair market value of the Agency's MBS investments. Due to an increase in investment rates in general, the fair market value of the MBS investments has been decreasing. The Agency does not actively trade in the MBS market, but purchases the MBS with the intent of keeping it until maturity. Also, GIC and money market rates have been very low, however they have been increasing in the recent months. 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.

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 FY2023 Non-Operating Interest Income was $43 compared to a negative $547 in FY2022. This was a direct result of the fair market value increases or decreases on MBS investments. As investment rates increase, the current fair market value of the MBS investments owned by the Agency decrease. If investment rates decrease, the market value of the Agency's current MBS investments should increase. The Agency does not actively trade the MBS investments but intends to hold them until maturity.

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. In addition, NDHFA is exploring other financing options in addition to taxable bonds for the non-government insured ROOTS loans. GNMA only allows government insured loans to be securitized.

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 prior years, Prepayments made by borrowers have been coming in at a slower pace due to the current increase in mortgage rates. This appears to be a result of fewer mortgages being refinanced due to the smaller economic gain associated with refinancing to a lower 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 production 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 do not qualify for our First Home programs, however they may qualify for our ROOTS program. 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, 2023 AND 2022
(In Thousands)

	2023	2022
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	$ 12,089	$ 14,436
Receivables		
Interest		
Loans	2	1
Investments	82	26
Due from HUD	844	260
Other	1,622	1,048
Current portion of service release premium	1,086	936
Prepaid expenses	99	85
Total unrestricted current assets	15,824	16,792
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	217,366	311,898
Receivables		
Current portion of loans receivable, net of allowance	35,727	32,457
Interest		
Loans	5,096	4,525
Investments	1,400	622
Other	-	1
Total restricted current assets	259,589	349,503
Total current assets	275,413	366,295
NONCURRENT ASSETS - UNRESTRICTED		
Service release premium, net	7,361	6,507
Equipment, net	121	133
Lease assets, net	433	624
Total unrestricted noncurrent assets	7,915	7,264
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion and allowance	1,540,395	1,295,706
Investments	60,456	70,018
Total restricted noncurrent assets	1,600,851	1,365,724
Total noncurrent assets	1,608,766	1,372,988
Total assets	1,884,179	1,739,283
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	5,566	3,213
Deferred outflow - OPEB	166	66
Total deferred outflows of resources	5,732	3,279

See Notes to Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	$ 30	$ 20
Due to state agencies	433	403
Other	2,621	1,258
Current portion of compensated absences	376	378
Current portion of bonds payable, net of premium	60,133	46,307
Accrued interest	24,047	17,971
Funds held in trust	18,824	16,172
Total current liabilities	106,464	82,509
NONCURRENT LIABILITIES		
Net pension liability	7,455	2,418
Net OPEB liability	296	128
Financial derivative instrument	(15,936)	(3,688)
Bonds payable, net of current portion and premium	1,540,244	1,433,300
Other	219	416
Total noncurrent liabilities	1,532,278	1,432,574
Total liabilities	1,638,742	1,515,083
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	3,016	4,810
Deferred inflow - OPEB	13	62
Financial derivative instrument	15,936	3,688
Total deferred inflows of resources	18,965	8,560
NET POSITION		
Net investment in capital assets	112	117
Restricted for debt service	217,892	201,443
Unrestricted	14,200	17,359
Total net position	$ 232,204	$ 218,919

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, 2023 AND 2022
(In Thousands)

	2023	2022
OPERATING REVENUES		
Mortgage interest income	$ 49,722	$ 39,298
Investment income	10,977	464
Gain (loss) on sale of investments	(176)	(320)
Fee income	4,848	4,924
Total revenues	65,371	44,366
OPERATING EXPENSES		
Interest expense	39,393	29,156
Agency grants	80	215
Administrative and operating expenses	11,381	11,931
Pension expense	1,092	384
OPEB expense	49	15
Amortization	207	208
Depreciation	32	8
Total expenses	52,234	41,917
OPERATING INCOME	13,137	2,449
NONOPERATING REVENUES (EXPENSES)		
Federal grants	22,117	15,065
Non-federal grants	113	128
Investment income (loss)	43	(547)
Federal grants	(22,117)	(15,065)
Total nonoperating revenues (expenses)	156	(419)
INCOME BEFORE TRANSFERS	13,293	2,030
TRANSFERS		
Transfer to Industrial Commission	(8)	(22)
CHANGE IN NET POSITION	13,285	2,008
TOTAL NET POSITION, BEGINNING OF YEAR	218,919	216,911
TOTAL NET POSITION, END OF YEAR	$ 232,204	$ 218,919

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
OPERATING ACTIVITIES		
Receipts from customers	$ 316,333	$ 248,062
Proceeds from sale of loans receivable	-	28,880
Interfund mortgages loan purchases and sales	(249,289)	(142,611)
Grant funds received in advance	(655)	-
Payment of grants	-	(307)
Payments to service providers		
State agencies	(5,119)	(4,673)
Mortgage loan purchases	(242,357)	(197,971)
Other	(12,549)	(9,883)
Payments to employees	(4,708)	(4,228)
Net cash provided (used) by operating activities	(198,344)	(82,731)
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on bonds payable	(123,540)	(266,540)
Proceeds from bond issuance	251,304	407,828
Interest paid on loans and bonds	(33,300)	(28,989)
Proceeds from federal grants	22,117	15,065
Proceeds from non-federal grants	113	128
Payment of federal grants	(22,117)	(15,065)
Transfers to Industrial Commission	(8)	(22)
Net cash provided (used) by noncapital financing activities	94,569	112,405
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(19)	(131)
Principal payments on lease payable	(198)	(192)
Interest paid on lease payable	(15)	(21)
Net cash used for capital and related financing activities	(232)	(344)
INVESTING ACTIVITIES		
Purchase of investments	(3,334)	(42,204)
Proceeds from sale of investments	10,171	21,122
Interest received from investments	291	142
Net cash provided (used) by for investing activities	7,128	(20,940)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(96,879)	8,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	326,334	317,944
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 229,455	$ 326,334
CASH AND CASH EQUIVALENTS - UNRESTRICTED	$ 12,089	$ 14,436
CASH AND CASH EQUIVALENTS - RESTRICTED	217,366	311,898
	$ 229,455	$ 326,334

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	$ 13,137	$ 2,449
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	32	8
Amortization		
Original issue discounts and premiums	(6,993)	(6,888)
Service release premium	1,589	1,921
Leased asset	207	208
Fair value (increases) decreases of investments	2,420	4,591
Reclassification of interest income/expense to other activities	38,614	28,973
Effect on cash flows due to changes in:		
Deferred outflow - pension	(2,353)	863
Deferred outflow - OPEB	(100)	5
Deferred inflows - pension	(1,794)	3,610
Deferred inflows - OPEB	(49)	39
Effect on cash flows due to changes in:		
Due from HUD	(585)	(44)
Due from State Agencies	-	57
Other receivables	(574)	(189)
Service release premium	(2,593)	(2,408)
Prepaid expenses	(13)	(18)
Loan interest receivable	(570)	534
Loans receivable	(247,962)	(108,910)
Due to HUD	10	(48)
Due to State Agencies	30	50
Other liabilities	1,347	111
Compensated absences	(2)	16
Funds held in trust	2,653	(3,256)
Net pension liability	5,205	(4,405)
Net cash used by operating activities	$ (198,344)	$ (82,731)
Non-cash disclosures:		
Increase (decrease) in fair value of investments	$ (2,725)	$ (5,278)

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
FOR THE BIENNIUM ENDED JUNE 30, 2023
(In Thousands)

	2021-2023 Appropriations Original	2021-2023 Appropriations As Adjusted	2021-2023 Expenditures	Unexpended Appropriations
Administrative Expenses:				
Salaries, wages and benefits	$ 9,557	$ 9,567	$ 9,424	$ 143
Operating expenses	6,144	7,619	7,058	561
Capital assets	150	150	144	6
Grants, benefits and claims	42,975	42,975	37,477	5,498
Contingency	100	100	7	93
Total	$ 58,926	$ 60,411	$ 54,110	$ 6,301

(1) The Agency's total appropriations of $60,411 consist of funding of $44,004 from federal funds and $16,407 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):

	2023	2022
Total expenditures	$ 30,833	$ 23,277
Less: Grants, benefits and claims	(22,197)	(15,280)
Administrative and operating expenses relating to		
Rental, Homeownership Bonds and Agency expenses	1,398	2,373
Amortization of service release premium	1,589	1,921
Amortization of leased asset	(207)	(208)
Depreciation	32	8
Interest expense on leased asset	(15)	(21)
Capital assets	(20)	(131)
Total administrative and operation expenses, salaries and benefits, and depreciation	$ 11,413	$ 11,939

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.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Agency has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Agency is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Agency uses its incremental borrowing rate based on the information available at the lease commencement date. The Agency has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The Agency accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Agency continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Agency is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Agency's lease agreements do not include any material residual value guarantees or restrictive covenants.

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.

<u>Securities</u>
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.

(In Thousands)

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, 2023 and 2022 was $32,136 and $31,943, 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, 2023 and 2022 was $30,900 and $30,608, respectively.

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2023 and 2022 is as follows:

	2023	2022
Unrestricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 12,085	$ 14,436
Deposits at Federal Home Loan Bank	4	-
Total cash and cash equivalents	$ 12,089	$ 14,436
Restricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 18,815	$ 16,172
Deposits at Federal Home Loan Bank	9	-
Deposits at Wilmington Trust	2,022	1,128
Cash and cash equivalents held in trust	187,385	99,289
Fixed rate investment agreements reported as cash equivalents	9,135	195,309
Total cash and cash equivalents	$ 217,366	$ 311,898

(In Thousands)

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, 2023:

	Total Market Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	More Than 10 Years
Total Debt Securities	$ 60,456	$ -	$ -	$ -	$ 60,456

The following shows the investments by investment type, amount and the duration at June 30, 2022:

	Total Market Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	More Than 10 Years
Total Debt Securities	$ 70,018	$ -	$ -	$ -	$ 70,018

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, 2023, the Agency owned $7,034 and the 1994 General Resolution Bond Issues owned $53,422 of the $60,456 Mortgage Backed Securities. The $53,422 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $7,889, (all of which are MBS owned by the Agency), at June 30, 2023 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, 2022, the Agency owned $8,296 and the 1994 General Resolution Bond Issues owned $61,722 of the $70,018 Mortgage Backed Securities. The $61,722 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $8,847, (all of which are MBS owned by the Agency), at June 30, 2022 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

(In Thousands)

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, 2023.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Mortgage-backed securities				
Agency	$ 60,456	$ -	$ 60,456	$ -
Total	$ 60,456	$ -	$ 60,456	$ -
Interest rate swap	$ 15,936	$ -	$ 15,936	$ -

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, 2022.

	Total	Level 1	Level 2	Level 3
ASSETS				
Mortgage-backed securities				
Agency	$ 70,018	$ -	$ 70,018	$ -
Total	$ 70,018	$ -	$ 70,018	$ -
Interest rate swap	$ 3,688	$ -	$ 3,688	$ -

(In Thousands)

NOTE 5 LOANS RECEIVABLE

Loans receivable at June 30, 2023 and 2022 consist of the following:

	2023	2022
Restricted:		
Agency operating funds	$ 347	$ 377
Less: current portion	33	32
Total loan receivable, net of current portion	$ 314	$ 345
Restricted:		
Homeownership bond funds	$ 1,575,775	$ 1,327,786
Less: current portion	35,694	32,425
Total loan receivable, net of current portion	$ 1,540,081	$ 1,295,361

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 8.20% for the year ended June 30, 2023 and 2022 with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling $916 which have been foreclosed on and are owned by the Agency (REO), $272 in real estate loans in judgment (REJ), and 48 loans totaling $6,142 that were in the foreclosure process at June 30, 2023. At June 30, 2022, Homeownership and Agency mortgage loans included loans totaling $318 which have been foreclosed on and are owned by the Agency (REO), $285 in real estate loans in judgement (REJ), and 64 loans totaling $8,853 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.

The Agency also has $4,695 of NSP loans and $14,687 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance.

(In Thousands)

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:

	2023	2022
Due from HUD	$ 844	$ 260
Due to HUD	$ 30	$ 20

NOTE 7 EQUIPMENT

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

	Equipment	Accumulated Depreciation	Net Equipment
Balance July 1, 2021	$ 213	$ 202	$ 11
Additions	130	8	
Deletions	-	-	
Balance July 1, 2022	$ 343	$ 210	$ 133
Additions	19	31	
Deletions	-	-	
Balance June 30, 2023	$ 362	$ 241	$ 121

(In Thousands)

NOTE 8 OTHER RECEIVABLES

A detail of other receivables as of June 30, 2023 and 2022 is as follows:

	2023	2022
Unrestricted:		
Receivable from servicer	$ 189	$ 95
Receivable from developers	514	392
Accounts receivable	919	561
	$ 1,622	$ 1,048
Restricted:		
Accounts receivable	$ -	$ 1

NOTE 9 OTHER LIABILITIES

A detail of other liabilities as of June 30, 2023 and 2022 is as follows:

	2023	2022
Remarketing fees	$ 39	$ 31
Commitment fees	86	86
Lease payable	442	640
Accounts payable	2,273	917
	$ 2,840	$ 1,674

(In Thousands)

NOTE 10 RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents - unrestricted		
Bank of North Dakota	$ 12,085	$ 14,436
Cash and cash equivalents - restricted		
Bank of North Dakota	$ 18,815	$ 16,172
Due to state agencies		
Information Technology Department	$ 9	$ 9
Attorney General	3	3
Department of Transportation	1	1
Office of Management and Budget	420	390
	$ 433	$ 403
Transfers out		
Industrial Commission	$ 8	$ 22
Administrative and operating expenses		
Bank of North Dakota		
Late fees	$ -	$ 38
SRP	-	42
Information Technology Department		
Telephone and data processing	21	20
Data processing	95	88
Attorney General		
Legal fees	18	37
Office of Management and Budget		
Supplies and conferences	2	2
Risk management premium	-	-
Printing	26	14
Indirect cost allocation	26	26
Payroll and benefits	4,944	4,493
Department of Transportation		
Slate fleet rental	10	10
Department of Insurance		
State fire and tornado fund premium	1	1
Human Resource Management Services		
Training sessions	1	1
Rough Rider Industries		
Supplies	1	1
Risk Management		
RM fund contribution	2	2
WC premiums	4	4
	$ 5,151	$ 4,779

(In Thousands)

NOTE 11 LEASES

The Agency leases office space in Bismarck, North Dakota. The original term of the lease is for a period of 24 months, commencing on July 1, 2021 and terminating June 30, 2023 with an annual rent payment of $213,280. The Agency renewed the lease under the same terms and conditions for a period of 24 month terminating on June 30, 2025. The annual rent increased to $227,040 upon renewal.

Following is the total lease expense for the years ended June 30, 2023 and 2022.

Lease Expense	Year Ending 6/30/23	Year Ending 6/30/22
Amortization expense by class of underlying asset		
Building	$ 207	$ 208
Total amortization expense	207	208
Interest on lease liabilities	15	21
Variable lease expense	-	-
Total	$ 222	$ 229

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2023.

Lease Asset:	Beginning of Year	Additions	Modifi-cations & Remeasure-ments	Subtractions	End of Year	Amounts Due Within One Year
Building	$ 832	$ -	$ -	$ -	$ 832	
Less: Accumulated Amortization						
Building	(208)	(191)	-	-	(399)	
Total Lease Assets, net	$ 624	$ (191)	$ -	$ -	$ 433	
Lease Liabilities	$ 640	$ -	$ -	$ (198)	$ 442	$ 217

(In Thousands)

Following is a schedule of activity in leased assets and leased liability for the year ended June 30, 2022:

Lease Asset:	Beginning of Year	Additions	Modifi-cations & Remeasure-ments	Subtractions	End of Year	Amounts Due Within One Year
Building	$ 832	$ -	$ -	$ -	$ 832	
Less: Accumulated Amortization						
Building	-	(208)	-	-	(208)	
Total Lease Assets, net	$ 832	$ (208)	$ -	$ -	$ 624	
Lease Liabilities	$ 832	$ -	$ -	$ (192)	$ 640	$ 198

Following is a schedule by years of future minimum rental payments required under the lease:

Year Ending June 30,	Principal	Interest	Total Payments
2024	$ 217	$ 10	$ 227
2025	225	3	228
Total Future Payments	$ 442	$ 13	$ 455

NOTE 12 LONG-TERM LIABILITIES

Change in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Balance 7/1/22	Additions	Reductions	Balance 6/30/23	Amounts Due Within One Year
Homeownership bond funds, par	$ 1,457,080	$ 240,000	$ 123,540	$ 1,573,540	$ 53,770
Multi-family revenue bonds	-	5,000	-	5,000	5,000
Premium on bond funds	22,527	6,303	6,993	21,837	6,363
Compensated absences	378	271	273	376	376
	$ 1,479,985	$ 251,574	$ 130,806	$ 1,600,753	$ 65,509

(In Thousands)

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

	Balance 7/1/21	Additions	Reductions	Balance 6/30/22	Amounts Due Within One Year
Homeownership bond funds, par	$ 1,322,320	$ 401,300	$ 266,540	$ 1,457,080	$ 39,975
Premium on bond funds	22,887	6,528	6,888	22,527	6,332
Compensated absences	361	246	229	378	378
	$ 1,345,568	$ 408,074	$ 273,657	$ 1,479,985	$ 46,685

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.

Maturities of Bonds Payable

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

Years Ending June 30,	Principal	Interest	Total Debt Service
2024	$ 58,770	$ 49,950	$ 108,720
2025	55,425	49,821	105,246
2026	52,940	48,702	101,642
2027	56,485	47,542	104,027
2028	49,285	46,261	95,546
2029 - 2033	222,160	213,973	436,133
2034 - 2038	247,360	180,671	428,031
2039 - 2043	281,630	136,205	417,835
2044 - 2048	333,570	83,604	417,174
2049 - 2053	217,420	22,831	240,251
2054 - 2058	3,495	101	3,596
Premiums	21,837	(21,837)	-
	$ 1,600,377	$ 857,824	$ 2,458,201

(In Thousands)

Schedules of Bonds Payable

The following summarizes the Agency's bonds payable outstanding at June 30, 2023 and 2022. 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	2023	2022
Series 2008 B			
Term Bond 7/1/38	Variable	$ 12,735	$ 12,735
Series 2015A			
Serial Bonds 7/1/15 - 7/1/26	2.35 - 3.10	-	3,670
Serial Bonds 7/1/22 - 7/1/24	2.65 - 2.90	2,605	-
Term Bond 1/1/38 (Premium)	4.00	1,440	3,265
Premium (Discount)		6	44
Series 2015BC			
Term Bond 1/1/36 (Premium)	4.00	3,025	5,445
Term Bond 1/1/46	Variable	15,040	15,985
Premium (Discount)		23	83
Series 2015DE			
Term Bond 7/1/46 (Premium)	4.00	4,830	7,690
Term Bond 7/1/36	Variable	17,230	20,190
Premium (Discount)		54	144
Series 2015F			
Term Bond 1/1/47	Variable	25,000	25,000
Series 2016AB			
Serial Bonds 1/1/19 - 7/1/27	1.50 - 2.60	-	26,930
Serial Bonds 7/1/22 - 1/1/27	1.80 - 2.55	21,765	-
Term Bond 7/1/31	2.95	5,010	5,010
Term Bond 1/1/35	3.20	3,280	3,280
Term Bond 1/1/47 (Premium)	4.00	13,455	18,925
Premium (Discount)		315	592
Series 2016CDE			
Serial Bonds 7/1/22 - 7/1/25	1.70 - 2.15	-	8,220
Serial Bonds 1/1/23 - 7/1/25	1.80 - 2.15	6,850	-
Serial Bonds 7/1/25 - 7/1/28	2.15 - 2.60	13,750	13,750
Term Bond 7/1/32	2.85	3,850	6,070
Term Bond 1/1/36	3.15	3,365	5,310
Term Bond 7/1/46 (Premium)	3.50	16,810	22,315
Premium (Discount)		436	732

(In Thousands)

	Interest Rate	2023	2022
Series 2017A			
Serial Bonds 1/1/18 - 7/1/28	1.85 - 3.05	$ -	$ 15,110
Serial Bonds 1/1/23 - 7/1/27	2.20 - 2.95	13,395	-
Term Bond 7/1/47 (Premium)	4.00	9,545	13,020
Premium (Discount)		206	373
Series 2017BC			
Serial Bonds 7/1/18 - 7/1/24	2.45 - 3.15	-	1,710
Term Bond 1/1/47	Variable	13,940	13,940
Series 2017DE			
Serial Bonds 7/1/18 - 7/1/22	1.75 - 1.90	-	540
Serial Bonds 7/1/22 - 1/1/28	1.50 - 2.65	11,290	12,745
Term Bonds 7/1/32	3.15	5,985	5,985
Term Bonds 7/1/37	3.45	4,695	4,695
Term Bonds 7/1/40	3.55	2,400	2,400
Term Bonds 7/1/47 (Premium)	4.00	12,440	16,430
Premium (Discount)		396	667
Series 2017FGH			
Serial Bonds 1/1/19 - 1/1/25	2.00 - 2.55	-	5,225
Serial Bonds 1/1/23 - 1/1/25	2.25 - 2.55	3,785	-
Term Bonds 7/1/48 (Premium)	4.00	14,535	19,000
Term Bond 7/1/39	Variable	28,250	28,250
Premium (Discount)		356	584
Series 2018A			
Serial Bonds 7/1/19 - 7/1/29	2.25 - 3.20	-	15,380
Serial Bonds 7/1/22 - 7/1/29	2.35 - 3.20	13,595	-
Term Bonds 7/1/33	3.55	5,160	5,160
Term Bonds 7/1/38	3.75	5,320	5,870
Term Bonds 1/1/42	3.85	4,360	4,810
Term Bonds 7/1/49 (Premium)	4.00	16,500	21,285
Premium (Discount)		356	568
Series 2018BC			
Serial Bonds 7/1/19 - 7/1/28	3.05 - 3.80	-	5,045
Serial Bonds 7/1/22 - 1/1/25	3.25 - 3.55	2,980	-
Term Bond 1/1/49	Variable	9,355	9,355
Series 2018D			
Serial Bonds 7/1/19 - 7/1/30	1.95 - 3.30	-	22,310
Serial Bonds 7/1/22 - 7/1/29	2.15 - 3.25	19,575	-
Term Bond 7/1/33	3.55	4,130	4,130
Term Bond 7/1/38	3.85	3,875	5,135
Term Bond 7/1/42	3.95	3,560	4,720
Term Bond 1/1/49 (premium)	4.25	22,140	28,330
Premium (discount)		596	938

(In Thousands)

	Interest Rate	2023	2022
Series 2019AB			
Serial Bonds 1/1/20 - 7/1/31	1.95 - 3.20	$ -	$ 10,190
Serial Bonds 1/1/23 - 1/1/28	2.20 - 2.85	8,620	-
Term Bonds 7/1/42	Variable	25,000	25,000
Term Bond 7/1/49 (premium)	4.25	16,720	21,065
Premium (discount)		501	761
Series 2019C			
Serial Bonds 7/1/20 - 7/1/30	1.75 - 2.60	-	25,015
Serial Bonds 7/1/22 - 1/1/30	1.80 - 2.55	22,140	-
Term Bonds 7/1/32	2.80	6,730	6,730
Term Bonds 7/1/34	3.00	7,215	7,215
Term Bonds 7/1/39	3.20	12,650	13,440
Term Bonds 7/1/42	3.35	8,155	8,665
Term Bonds 1/1/50 (premium)	4.00	35,775	42,175
Premium (discount)		1,917	2,528
Series 2019DE			
Serial Bonds 7/1/20 - 7/1/29	2.60 - 3.45	-	4,060
Serial Bonds 7/1/22 - 7/1/29	2.65 - 3.45	3,575	-
Term Bonds 7/1/33	3.70	2,705	2,705
Term Bonds 7/1/39	4.00	3,050	3,050
Term Bonds 1/1/50	Variable	12,265	12,265
Series 2019F			
Serial Bonds 7/1/20 - 7/1/32	1.30 - 2.50	-	21,080
Serial Bonds 7/1/22 - 7/1/32	1.40 - 2.50	19,630	-
Term Bonds 7/1/34	2.70	4,085	4,085
Term Bonds 7/1/39	2.95	9,540	10,040
Term Bonds 7/1/43	3.05	8,065	9,080
Term Bonds 7/1/50 (premium)	3.75	18,920	22,770
Premium (discount)		821	1,186
Series 2020A			
Serial Bonds 1/1/21 - 7/1/32	1.20 - 2.45	-	26,030
Serial Bonds 1/1/23 - 7/1/32	1.45 - 2.45	24,845	-
Term Bonds 7/1/35	2.70	9,080	9,080
Term Bonds 7/1/40	3.00	16,170	16,170
Term Bonds 1/1/44	3.05	10,735	10,735
Term Bonds 1/1/51 (premium)	4.00	25,850	29,945
Premium (discount)		1,221	1,696

(In Thousands)

	Interest Rate	2023	2022
Series 2020B			
Serial Bonds 7/1/21 - 7/1/32	0.20 - 2.05	$ -	$ 33,920
Serial Bonds 7/1/22 - 7/1/32	0.375 - 2.05	30,915	-
Term Bonds 7/1/35	2.10	11,205	11,205
Term Bonds 7/1/40	2.35	19,285	20,490
Term Bonds 7/1/44	2.50	15,490	16,455
Term Bonds 7/1/51 (premium)	3.00	35,330	39,050
Premium (discount)		1,961	2,671
Series 2021A			
Serial Bonds 1/1/22 - 7/1/32	0.10 - 1.95	-	33,115
Serial Bonds 7/1/22 - 7/1/32	0.20 - 1.95	30,125	-
Serial Bonds 1/1/33 - 7/1/33 (premium)	2.00	3,490	3,490
Term Bonds 7/1/36	2.05	10,980	10,980
Term Bonds 7/1/41	2.25	20,280	20,280
Term Bonds 7/1/44	2.35	13,310	13,310
Term Bonds 1/1/52 (premium)	3.00	36,170	38,525
Premium (discount)		2,266	2,993
Series 2021 BC			
Serial Bonds 7/1/22 - 1/1/27	0.25 - 1.40	13,560	16,300
Serial Bonds 1/1/27 - 7/1/33	1.10 - 2.20	28,460	28,460
Term Bond 7/1/36	2.30	13,430	13,430
Term Bonds 7/1/41	2.45	23,925	23,925
Term Bonds 1/1/43	2.60	5,885	5,885
Term Bonds 1/1/52 (premium)	3.00	51,130	53,300
Premium (discount)		3,154	3,938
Series 2022A			
Serial Bonds 1/1/23 - 7/1/34	1.55 - 3.40	35,075	35,590
Term Bonds 7/1/37	3.45	11,215	11,215
Term Bonds 7/1/42	3.65	21,380	21,380
Term Bonds 1/1/46	3.70	16,115	16,135
Term Bonds 1/1/53 (premium)	4.00	40,475	40,680
Premium (discount)		1,610	2,029
Series 2022BC			
Serial Bonds 1/1/23 - 7/1/29	2.39 - 3.60	28,940	30,000
Term Bonds 1/1/50	Variable	30,000	30,000

(In Thousands)

	Interest Rate	2023	2022
Series 2022DE			
Serial Bonds 7/1/23 - 7/1/33	2.86 - 4.70	$ 15,485	$ 15,485
Term Bonds 7/1/37	4.92	8,105	8,105
Term Bonds 7/1/42	5.05	12,765	12,765
Term Bonds 1/1/47	5.15	13,645	13,645
Term Bonds 1/1/53	Variable	25,000	25,000
Series 2022F			
Serial Bonds 7/1/23 - 7/1/34	1.55 - 3.85	17,455	-
Term Bonds 7/1/37	3.95	6,135	-
Term Bonds 7/1/42	4.10	12,425	-
Term Bonds 1/1/47	4.25	14,150	-
Term Bonds 1/1/53 (Premium)	5.00	24,835	-
Premium (Discount)		1,603	-
Series 2023A			
Serial Bonds 1/1/24 - 7/1/35	2.65 - 4.15	29,720	-
Term Bonds 7/1/38	4.45	10,380	-
Term Bonds 7/1/43	4.60	21,280	-
Term Bonds 7/1/47	4.70	20,990	-
Term Bonds 7/1/53 (Premium)	5.75	42,630	-
Premium (Discount)		3,623	-
Series 2023BC			
Serial Bonds 1/1/24 - 7/1/34	4.260 - 5.359	8,140	-
Term Bonds 7/1/2039	5.45	5,135	-
Term Bonds 7/1/2047	Variable	13,330	-
Term Bonds 7/1/2053 (Premium)	6.00	13,395	-
Premium (Discount)		416	-
2022 Multifamily Revenue Bonds 9/1/25	2.45	5,000	-
		$ 1,600,377	$ 1,479,607

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 $1,595,377 maturing at various times from July 1, 2023 through January 1, 2054. 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 $123,540 and $33,300, respectively for the year ended June 30, 2023. Principal and interest paid for the year and total customer net revenues were $266,540 and $28,989, respectively for the year ended June 30, 2022.

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.

The Agency also had multifamily revenue bonds in the amount of $5,000 that mature on September 1, 2025. The bonds have been issued to pay a portion of the cost of acquiring, rehabilitation and equipping a 182 unit scattered site multifamily rental housing development portfolio located in Grand Forks, North Dakota. The bonds will be payable solely from the revenues and other money assigned to secure the payment, which include payments required by the loan agreement. Such payment shall cover the entire principal and interest payment for the bond.

NOTE 13 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, 2023, the Agency had 11 swaps with a positive fair value totaling $15,936. As of June 30, 2022, the Agency had eight swaps with a positive fair value totaling $4,569. 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 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, 2023 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $5,994 and the swap providers owed the Agency a variable rate on the notional amounts of $9,499 making the net payment the Agency is owed from the swap providers $3,505. At June 30, 2022 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $5,476 and the swap providers owed the Agency a variable rate on the notional amounts of $3,160 making the net payments the Agency owes the swap providers $2,316.

Fair Value

Due to the difference in the variable rate indices, the swaps had a net positive fair value[10] of $15,936 and $3,688 at June 30, 2023 and 2022, respectively. 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 inflow at June 30, 2023 and 2022. 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, 2023 and 2022. 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.

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.

(In Thousands)

The terms of the interest rate swaps at June 30, 2023 are as follows:

1	Bond Series	2015 C	2015 E	2015 F	2017C
2	Issuance Date	6/23/2015	5/1/2016	12/8/2015	5/10/2017
3	Maturity Date	1/1/2046	7/1/2036	1/1/2047	7/1/2047
4	Notional Amount	11,745	18,840	14,235	20,545
5	Variable-rate Bonds	11,745	18,840	14,235	20,454
6	Fixed Rate	2.486%	2.257%	2.320%	2.783%
7	LIBOR Percentage	66.20%	66.40%	100.00%	100.00%
8	Additional Percentage	0.10%	0.22%	0.00%	0.00%
9	Bonds Variable-rate	0.91000%	0.91000%	1.65000%	2.73904%
10	Fair Value	702	1,018	1,580	1,993
11	Percentage of LIBOR	3.52282%	3.65317%	5.17043%	5.17403%
12	Synthetic Rate	-0.12682%	-0.48617%	-1.20043%	0.35111%
13	Actual Synthetic Rate	2.99569%	1.97825%	2.29907%	2.75171%
14	Change in Fair Value	377	759	848	1,470
15	Optional Termination Date	N/A	N/A	1/1/2025	7/1/2027

1	Bond Series	2017H	2018C	2019B	2019E
2	Issuance Date	12/21/2017	6/14/2018	2/13/2019	6/25/2019
3	Maturity Date	7/1/2039	1/1/2049	1/1/2043	1/1/2050
4	Notional Amount	28,250	9,355	25,000	12,265
5	Variable-rate Bonds	28,250	9,355	25,000	12,265
6	Fixed Rate	2.266%	3.515%	2.693%	3.171%
7	LIBOR Percentage	66.40%	100.00%	70.00%	100.00%
8	Additional Percentage	0.09%	0.00%	0.00%	0.00%
9	Bonds Variable-rate	0.90000%	1.60000%	1.11000%	1.60000%
10	Fair Value	1,829	622	1,274	1,665
11	Percentage of LIBOR	3.52317%	5.17043%	3.61930%	5.17043%
12	Synthetic Rate	-0.35717%	-0.05543%	0.18320%	-0.39943%
13	Actual Synthetic Rate	2.20287%	3.49229%	3.01912%	3.17019%
14	Change in Fair Value	1,331	783	763	1,148
15	Optional Termination Date	7/1/2023	7/1/2027	1/1/2024	7/1/2028

1	Bond Series	2022C	2022E	2023C
2	Issuance Date	4/28/2022	6/14/2022	2/16/2023
3	Maturity Date	7/1/2052	1/1/2053	7/1/2047
4	Notional Amount	30,000	25,000	13,330
5	Variable-rate Bonds	30,000	25,000	13,330
6	Fixed Rate	2.644%	3.808%	4.493%
7	LIBOR Percentage	100.00%	100.00%	100.00%
8	Additional Percentage	0.05%	0.05%	0.15%
9	Bonds Variable-rate	1.60000%	1.60000%	1.60000%
10	Fair Value	3,512	1,577	164
11	Percentage of LIBOR	5.22043%	5.22043%	5.32043%
12	Synthetic Rate	-0.97643%	0.18757%	0.77257%
13	Actual Synthetic Rate	2.62381%	3.77559%	4.30243%
14	Change in Fair Value	2,308	2,297	164
15	Optional Termination Date	1/1/2032	1/1/2032	7/1/2028

(In Thousands)

The terms of the interest rate swaps at June 30, 2022 are as follows:

1	Bond Series	2015 C	2015 E	2015 F	2017C
2	Issuance Date	6/23/2015	5/1/2016	12/8/2015	5/10/2017
3	Maturity Date	1/1/2046	7/1/2036	1/1/2047	7/1/2047
4	Notional Amount	12,690	19,800	15,765	20,545
5	Variable-rate Bonds	12,690	19,800	15,765	20,545
6	Fixed Rate	2.486%	2.257%	2.320%	2.783%
7	LIBOR Percentage	66.20%	66.40%	100.00%	100.00%
8	Additional Percentage	0.10%	0.22%	0.00%	0.00%
9	Bonds Variable-rate	0.91000%	0.91000%	1.65000%	2.73904%
10	Fair Value	325	259	732	523
11	Percentage of LIBOR	1.28280%	1.40638%	1.78671%	1.78671%
12	Synthetic Rate	2.11320%	1.76062%	2.18329%	3.73483%
13	Actual Synthetic Rate	2.99321%	2.04854%	2.30369%	2.75609%
14	Change in Fair Value	624	1,003	1,598	2,593
15	Optional Termination Date	N/A	N/A	1/1/2025	7/1/2027

1	Bond Series	2017H	2018C	2019B	2019E
2	Issuance Date	12/21/2017	6/14/2018	2/13/2019	6/25/2019
3	Maturity Date	7/1/2039	1/1/2049	1/1/2043	1/1/2050
4	Notional Amount	28,250	9,355	25,000	12,265
5	Variable-rate Bonds	28,250	9,355	25,000	12,265
6	Fixed Rate	2.266%	3.515%	2.693%	3.171%
7	LIBOR Percentage	66.40%	100.00%	70.00%	100.00%
8	Additional Percentage	0.09%	0.00%	0.00%	0.00%
9	Bonds Variable-rate	0.90000%	1.60000%	1.11000%	1.60000%
10	Fair Value	498	(161)	511	517
11	Percentage of LIBOR	1.27638%	1.78671%	1.25070%	1.78671%
12	Synthetic Rate	1.88962%	3.32829%	2.55180%	2.98429%
13	Actual Synthetic Rate	2.22646%	3.50048%	3.05666%	3.18844%
14	Change in Fair Value	2,185	1,290	1,906	2,009
15	Optional Termination Date	7/1/2023	7/1/2027	1/1/2024	7/1/2028

1	Bond Series	2022C	2022E
2	Issuance Date	4/28/2022	6/14/2022
3	Maturity Date	7/1/2052	1/1/2053
4	Notional Amount	30,000	25,000
5	Variable-rate Bonds	30,000	25,000
6	Fixed Rate	2.644%	3.808%
7	LIBOR Percentage	100.00%	100.00%
8	Additional Percentage	0.05%	0.05%
9	Bonds Variable-rate	1.60000%	1.60000%
10	Fair Value	1,204	(720)
11	Percentage of LIBOR	1.83671%	1.83671%
12	Synthetic Rate	2.40729%	3.57129%
13	Actual Synthetic Rate	2.78025%	4.09642%
14	Change in Fair Value	1,204	(720)
15	Optional Termination Date	1/1/2032	1/1/2032

(In Thousands)

Swap Payments and Associated Debt

Using rates as of June 30, 2023, 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, 2023. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year	Variable-Rate Bond		Interest Rate	
Ending June 30	Principal	Interest	Swap, Net	Total
2024	$ 720	$ 3,041	$ (3,494)	$ 267
2025	2,385	3,004	(3,443)	1,946
2026	3,175	2,929	(3,359)	2,745
2027	4,860	2,846	(3,262)	4,444
2028	4,575	2,766	(3,166)	4,175
2029 - 2033	40,525	12,139	(13,620)	39,044
2034 - 2038	52,620	8,809	(9,157)	52,272
2039 - 2043	46,015	5,609	(5,430)	46,194
2044 - 2048	29,310	3,039	(2,883)	29,466
2049 - 2053	24,380	773	(717)	24,436
	$ 208,565	$ 44,955	$ (48,531)	$ 204,989

NOTE 14 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, 2023, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2024. The line of credit bears interest at 6.91%.

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2022, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2023. The line of credit bears interest at 3.87%.

The Agency did not make draws on this line of credit during the years ended June 30, 2023 and 2022.

NOTE 15 LETTER OF CREDIT - FEDERAL HOME LOAN BANK OF DES MOINES

The Agency maintains a collateral pledge agreement with the Federal Home Loan Bank (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 $36,137 as of June 30, 2023. In addition, borrowings are collateralized by $54,902 of loans receivable and $13 of cash and investments. The aggregate borrowing capacity of eligible collateral was approximately $17,322 as of June 30, 2022. In addition, borrowings are collateralized by $61,022 of loans receivable and $146 of cash and investments.

NOTE 16 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. Members 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 was 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. The Main Plan will be closed to new employees with the passage of House Bill 1040. The effective date is dependent upon NDPERS implementing the changes to set up a new defined contribution (DC) plan. If the DC plan is set up by December 31, 2023, then the effective date of the Main Plan closure will be January 1, 2024. If the changes cannot be accomplished by then, the effective date will be January 1, 2025.

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. Employer contribution rates increase by 1% beginning January 1, 2024.

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, 2023 and 2022, the Agency reported a liability of $7,455 and $2,418 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of **June 30, 2022** and 2021 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, 2022**, the Agency's proportion was 0.258854 percent, which was an increase of 0.026830 percent from its proportion measured as of June 30, 2021.

(In Thousands)

For the year ended June 30, 2023, the Agency recognized pension expense of $983. At June 30, 2023, 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	$ 39	$ (142)
Changes of assumptions	4,459	(2,764)
Net difference between projected and actual earnings on pension plan investments	273	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	553	(110)
Employer contributions subsequent to the measurement date	242	-
Total	$ 5,566	$ (3,016)

$242 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 ending June 30, 2024.

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

Year ended June 30:	
2024	$ 635
2025	740
2026	182
2027	751

(In Thousands)

Actuarial Assumptions

The total pension liability in the July 1, 2022 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	5.10%, 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 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 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	5.75%
International Equity	21%	6.45%
Private Equity	7%	9.20%
Domestic Fixed	23%	0.34%
Global Real Assets	19%	4.35%

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.

(In Thousands)

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 this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

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 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate at June 30, 2023:

	1% Decrease 4.10%	Current Discount Rate 5.10%	1% Increase 6.10%
Employer's proportionate share of the net pension liability	$ 9,840	$ 7,455	$ 5,497

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 17 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, 2023 and 2022, the Agency reported a liability of $296 and $128 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of **June 30, 2022** and 2021 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, 2023, the Agency's proportion was 0.24650 percent, which is an increase of 0.016584 percent from its proportion measured as of **June 30, 2022**.

(In Thousands)

For the year ended June 30, 2023, the Employer recognized OPEB expense of $49. At June 30, 2023, 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	$ 7	$ (2)
Changes of assumptions	74	-
Net difference between projected and actual earnings on OPEB plan investments	40	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15	(11)
Employer contributions subsequent to the measurement date	30	-
Total	$ 166	$ (13)

$30 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 ending June 30, 2024.

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 ending June 30:	
2024	$ 31
2025	29
2026	27
2027	36

(In Thousands)

Actuarial assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, 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 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, 2022 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad US Equities	39%	5.75%
International Equities	26%	6.00%
Core-Plus Fixed Income	35%	0.22%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.39%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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.

(In Thousands)

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, 2022, calculated using the discount rate of 5.39%, 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 (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease 4.39%	Current Discount Rate 5.39%	1% Increase 6.39%
Employer's proportionate share of the net OPEB liability	$ 378	$ 296	$ 227

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 18 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.

	2023	2022
Commitments to extend credit	$ 87,542	$ 142,728
Loan Acquisition Fund	$ 67,935	$ 202,118

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, 2023 and 2022, the Agency had outstanding guarantees on loans owned by financial institutions in the amount of $0 and $10, respectively.

NOTE 19 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 20 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 $375 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 $2,000 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. In addition to the State Bonding Fund, the Agency has a separate $500 insurance policy with Great American Insurance Group.

(In Thousands)

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.

NOTE 21 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, 2023, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	$ 41,066	$ 238,914	$ (4,567)	$ 275,413
Capital assets - net	121	-	-	121
Noncurrent assets - other	8,108	1,600,537	-	1,608,645
Total assets	49,295	1,839,451	(4,567)	1,884,179
Deferred outflow of resources	5,732	-	-	5,732
Current liabilities - other	24,716	86,315	(4,567)	106,464
Noncurrent liabilities - other	12,970	1,519,308	-	1,532,278
Total liabilities	37,686	1,605,623	(4,567)	1,638,742
Deferred inflow of resources	3,029	15,936	-	18,965
Invested in capital assets	112	-	-	112
Net position - unrestricted	14,200	-	-	14,200
Net position - restricted	-	217,892	-	217,892
Total net position	$ 14,312	$ 217,892	$ -	$ 232,204

NORTH DAKOTA HOUSING FINANCE AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023 AND 2022
(In Thousands)

Statement of Net Position segment information as of and for the year ended June 30, 2022, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	$ 33,838	$ 334,649	$ (2,192)	$ 366,295
Capital assets - net	133	-	-	133
Noncurrent assets - other	7,476	1,365,379	-	1,372,855
Total assets	41,447	1,700,028	(2,192)	1,739,283
Deferred outflow of resources	3,279	-	-	3,279
Current liabilities - other	19,416	65,285	(2,192)	82,509
Noncurrent liabilities - other	2,962	1,429,612	-	1,432,574
Total liabilities	22,378	1,494,897	(2,192)	1,515,083
Deferred inflow of resources	4,872	3,688	-	8,560
Invested in capital assets	117	-	-	117
Net position - unrestricted	17,359	-	-	17,359
Net position - restricted	-	201,443	-	201,443
Total net position	$ 17,476	$ 201,443	$ -	$ 218,919

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, 2023, 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	$ 19	$ 49,703	$ -	$ 49,722
Investment income	-	10,977	-	10,977
Gain on sale of investments	(129)	(47)	-	(176)
Fee income	11,421	-	(6,573)	4,848
Depreciation	(32)	-	-	(32)
Other operating expenses	(10,036)	(48,739)	6,573	(52,202)
Operating income	1,243	11,894	-	13,137
Nonoperating revenues (expenses)				
Federal grants	22,117	-	-	22,117
Non-federal grants	113	-	-	113
Investment income	43	-	-	43
Federal grants	(22,117)	-	-	(22,117)
Transfers	(8)	-	-	(8)
Change in net position	1,391	11,894	-	13,285
Total net position, beginning of year	17,476	201,443	-	218,919
Equity transfer in (out)	(4,555)	4,555	-	-
Total net position, end of year	$ 14,312	$ 217,892	$ -	$ 232,204
Statement of Cash Flows				
Net cash used by operating activities	$ 2,305	$ (200,649)	$ -	$ (198,344)
Net cash used for noncapital financing activities	2,046	92,523	-	94,569
Net cash used for capital and related financing activities	(232)	-	-	(232)
Net cash from (used by) investing activities	1,208	5,920	-	7,128
Change in cash and cash equivalents	5,327	(102,206)	-	(96,879)
Cash and cash equivalents, beginning of year	30,672	295,662	-	326,334
Cash and cash equivalents, end of year	$ 35,999	$ 193,456	$ -	$ 229,455

(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, 2022, 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	$ 25	$ 39,273	$ -	39,298
Investment income	-	464	-	464
Gain on sale of investments	-	(320)	-	(320)
Fee income	10,604	-	(5,680)	4,924
Depreciation	(8)	-	-	(8)
Other operating expenses	(8,604)	(38,985)	5,680	(41,909)
Operating income	2,017	432	-	2,449
Nonoperating revenues (expenses)				
Federal grants	15,065	-	-	15,065
Non-federal grants	128	-	-	128
Investment income	(547)	-	-	(547)
Federal grants	(15,065)	-	-	(15,065)
Transfers	(22)	-	-	(22)
Change in net position	1,576	432	-	2,008
Total net position, beginning of year	15,795	201,116	-	216,911
Equity transfer in (out)	105	(105)	-	-
Total net position, end of year	$ 17,476	$ 201,443	$ -	$ 218,919
Statement of Cash Flows				
Net cash by operating activities	$ (2,326)	$ (80,405)	$ -	$ (82,731)
Net cash used for noncapital financing activities	(256)	112,661	-	112,405
Net cash used for capital and related financing activities	(344)	-	-	(344)
Net cash from (used by) investing activities	505	(21,445)	-	(20,940)
Change in cash and cash equivalents	(2,421)	10,811	-	8,390
Cash and cash equivalents, beginning of year	33,093	284,851	-	317,944
Cash and cash equivalents, end of year	$ 30,672	$ 295,662	$ -	$ 326,334

NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022,* provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease,

recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62,* provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences,* provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee’s pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 23 SUBSEQUENT EVENTS

The Agency issued Series 2023DE Homeownership Revenue Bonds totaling $200,000 in August 2023. The bonds have an interest rate ranging from 3.25% to 5.75% and mature between July 1, 2024 and January 1, 2054. Subsequent events have been evaluated through October 13, 2023, the date these financial statements were available to be issued.

(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
2023	0.25885%	$ 7,455	$ 2,973	250.76%	54.47%
2022	0.23202%	2,418	2,604	92.87%	78.26%
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
2023	$ 242	$ (242)	$ -	$ 3,281	7.38%
2022	218	(218)	-	2,973	7.33%
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, 2023 AND 2022
(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
2023	0.246500%	296	2,576	11.49%	56.28%
2022	0.229916%	128	2,520	5.07%	76.63%
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
2023	$ 30	$ (30)	$ -	$ 2,643	1.14%
2022	29	(29)	-	2,576	1.14%
2021	29	(29)	-	2,520	1.15%
2020	29	(29)	-	2,580	1.12%
2019	30	(30)	-	2,618	1.15%
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 decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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 increased 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, 2020.

Changes of Assumptions.

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

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, 2020.

Changes of Assumptions.

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2021.

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	Total 2022
ASSETS								
CURRENT ASSETS - UNRESTRICTED								
Cash and cash equivalents	$ 12,089	$ -	$ -	$ -	$ 12,089	$ -	$ 12,089	$ 14,436
Receivables								
Interest								
Loans	2	-	-	-	2	-	2	1
Investments	82	-	-	-	82	-	82	26
Due from HUD	844	-	-	-	844	-	844	260
Other	2,949	-	-	-	2,949	(1,327)	1,622	1,048
Current portion of service release premium	1,086	-	-	-	1,086	-	1,086	936
Prepaid expenses	71	28	-	28	99	-	99	85
Total unrestricted current assets	17,123	28	-	28	17,151	(1,327)	15,824	16,792
CURRENT ASSETS - RESTRICTED								
Cash and cash equivalents	23,910	187,617	5,839	193,456	217,366	-	217,366	311,898
Receivables								
Current portion of loans receivable, net of allowance	33	33,625	2,069	35,694	35,727	-	35,727	32,457
Interest								
Loans	-	4,912	184	5,096	5,096	-	5,096	4,525
Investments	-	1,368	32	1,400	1,400	-	1,400	622
Other	-	3,032	208	3,240	3,240	(3,240)	-	1
Total restricted current assets	23,943	230,554	8,332	238,886	262,829	(3,240)	259,589	349,503
Total current assets	41,066	230,582	8,332	238,914	279,980	(4,567)	275,413	366,295
NONCURRENT ASSETS - UNRESTRICTED								
Service release premium, net	7,361	-	-	-	7,361	-	7,361	6,507
Equipment, net	121	-	-	-	121	-	121	133
Leased asset, net	433	-	-	-	433	-	433	624
Total unrestricted noncurrent assets	7,915	-	-	-	7,915	-	7,915	7,264
NONCURRENT ASSETS - RESTRICTED								
Loans receivable, net of current portion, net of allowance	314	1,482,628	57,453	1,540,081	1,540,395	-	1,540,395	1,295,706
Investments	-	57,381	3,075	60,456	60,456	-	60,456	70,018
Total restricted noncurrent assets	314	1,540,009	60,528	1,600,537	1,600,851	-	1,600,851	1,365,724
Total noncurrent assets	8,229	1,540,009	60,528	1,600,537	1,608,766	-	1,608,766	1,372,988
Total assets	49,295	1,770,591	68,860	1,839,451	1,888,746	(4,567)	1,884,179	1,739,283
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflow - pension	5,566	-	-	-	5,566	-	5,566	3,213
Deferred outflow - OPEB	166	-	-	-	166	-	166	66
Total deferred outflows of resources	5,732	-	-	-	5,732	-	5,732	3,279

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	Total 2022
LIABILITIES								
CURRENT LIABILITIES								
Due to HUD	$ 30	$ -	$ -	$ -	$ 30	$ -	$ 30	$ 20
Due to State Agencies	433	-	-	-	433	-	433	403
Other	5,012	1,276	900	2,176	7,188	(4,567)	2,621	1,258
Current portion of compensated absences	376	-	-	-	376	-	376	378
Current portion of bonds payable, net of premium	-	57,328	2,805	60,133	60,133	-	60,133	46,307
Accrued interest	41	23,368	638	24,006	24,047	-	24,047	17,971
Funds held in trust	18,824	-	-	-	18,824	-	18,824	16,172
Total current liabilities	24,716	81,972	4,343	86,315	111,031	(4,567)	106,464	82,509
NONCURRENT LIABILITIES								
Net pension liability	7,455	-	-	-	7,455	-	7,455	2,418
Net OPEB liability	296	-	-	-	296	-	296	128
Financial derivative instrument	-	(15,936)	-	(15,936)	(15,936)	-	(15,936)	(3,688)
Bonds payable, net of current portion and premium	5,000	1,492,988	42,256	1,535,244	1,540,244	-	1,540,244	1,433,300
Other	219			-	219		219	416
Total noncurrent liabilities	12,970	1,477,052	42,256	1,519,308	1,532,278	-	1,532,278	1,432,574
Total liabilities	37,686	1,559,024	46,599	1,605,623	1,643,309	(4,567)	1,638,742	1,515,083
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow - pension	3,016	-	-	-	3,016	-	3,016	4,810
Deferred inflow - OPEB	13	-	-	-	13	-	13	62
Financial derivative instrument	-	15,936	-	15,936	15,936	-	15,936	3,688
Total deferred inflows of resources	3,029	15,936	-	15,936	18,965	-	18,965	8,560
NET POSITION								
Invested in capital assets	112	-	-	-	112	-	112	117
Restricted for debt service	-	195,631	22,261	217,892	217,892	-	217,892	201,443
Unrestricted	14,200	-	-	-	14,200	-	14,200	17,359
Total net position	$ 14,312	$ 195,631	$ 22,261	$ 217,892	$ 232,204	$ -	$ 232,204	$ 218,919

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	Total 2022
OPERATING REVENUES								
Mortgage interest income	$ 19	$ 47,492	$ 2,211	$ 49,703	$ 49,722	$ -	$ 49,722	$ 39,298
Investment income	-	10,848	129	10,977	10,977	-	10,977	464
Gain (loss) on sale of investments	(129)	(47)	-	(47)	(176)	-	(176)	(320)
Fee income	11,421	-	-	-	11,421	(6,573)	4,848	4,924
Total revenues	11,311	58,293	2,340	60,633	71,944	(6,573)	65,371	44,366
OPERATING EXPENSES								
Interest expense	15	38,305	1,073	39,378	39,393	-	39,393	29,156
Agency grants	80	-	-	-	80	-	80	215
Administrative and operating expenses	8,593	9,074	287	9,361	17,954	(6,573)	11,381	11,931
Pension expense	1,092	-	-	-	1,092	-	1,092	384
OPEB expense	49	-	-	-	49	-	49	15
Amortization	207	-	-	-	207	-	207	208
Depreciation	32	-	-	-	32	-	32	8
Total expenses	10,068	47,379	1,360	48,739	58,807	(6,573)	52,234	41,917
OPERATING INCOME	1,243	10,914	980	11,894	13,137	-	13,137	2,449
NONOPERATING REVENUE (EXPENSES)								
Federal grants	22,117	-	-	-	22,117	-	22,117	15,065
Non-federal grants	113	-	-	-	113	-	113	128
Investment income (loss)	43	-	-	-	43	-	43	(547)
Federal grants	(22,117)	-	-	-	(22,117)	-	(22,117)	(15,065)
Total nonoperating revenues (expenses)	156	-	-	-	156	-	156	(419)
CHANGE IN ASSETS BEFORE TRANSFERS	1,399	10,914	980	11,894	13,293	-	13,293	2,030
TRANSFERS								
Transfer to Industrial Commission	(8)	-	-	-	(8)	-	(8)	(22)
CHANGE IN NET POSITION	1,391	10,914	980	11,894	13,285	-	13,285	2,008
TOTAL NET POSITION, BEGINNING OF YEAR	17,476	180,285	21,158	201,443	218,919	-	218,919	216,911
TRANSFER IN (OUT)	(4,555)	4,432	123	4,555	-	-	-	-
TOTAL NET POSITION, END OF YEAR	$ 14,312	$ 195,631	$ 22,261	$ 217,892	$ 232,204	$ -	$ 232,204	$ 218,919

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	2022
OPERATING ACTIVITIES								
Receipts from customers	$ 16,246	$ 293,945	$ 10,340	$ 304,285	$ 320,531	$ (4,198)	$ 316,333	$ 248,062
Proceeds from sale of loans receivable	-	-	-	-	-	-	-	28,880
Interfund mortgages loan purchases and sales	-	(249,289)	-	(249,289)	(249,289)	-	(249,289)	(142,611)
Grant funds received in advance	(655)	-	-	-	(655)	-	(655)	-
Payment of grants	-	-	-	-	-	-	-	(307)
Payments to service providers								
State agencies	(5,119)	-	-	-	(5,119)	-	(5,119)	(4,673)
Mortgage loan purchases	-	(242,357)	-	(242,357)	(242,357)	-	(242,357)	(197,971)
Other	(3,459)	(13,712)	424	(13,288)	(16,747)	4,198	(12,549)	(9,883)
Payments to employees	(4,708)	-	-	-	(4,708)	-	(4,708)	(4,228)
Net cash provided by (used for) operating activities	2,305	(211,413)	10,764	(200,649)	(198,344)	-	(198,344)	(82,731)
NONCAPITAL FINANCING ACTIVITIES								
Principal payments on bonds payable	-	(112,500)	(11,040)	(123,540)	(123,540)	-	(123,540)	(266,540)
Proceeds from bond issuance	5,000	246,304	-	246,304	251,304	-	251,304	407,828
Interest paid on loans and bonds	41	(32,098)	(1,243)	(33,341)	(33,300)	-	(33,300)	(28,989)
Proceeds from non-federal grants	113	-	-	-	113	-	113	128
Proceeds from federal grants	22,117	-	-	-	22,117	-	22,117	15,065
Payment of federal grants	(22,117)	-	-	-	(22,117)	-	(22,117)	(15,065)
Transfers to Industrial Commission	(8)	-	-	-	(8)	-	(8)	(22)
Interfund transfer in (out)	(3,100)	3,100	-	3,100	-	-	-	-
Net cash provided by (used for) noncapital financing activities	2,046	104,806	(12,283)	92,523	94,569	-	94,569	112,405

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	Total 2022
CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchase of equipment	$ (19)	$ -	$ -	$ -	$ (19)	$ -	$ (19)	$ (131)
Principal payments on lease payable	(198)	-	-	-	(198)	-	(198)	(192)
Interest paid on lease payable	(15)	-	-	-	(15)	-	(15)	(21)
Net cash used for capital and related financing activities	$ (232)	$ -	$ -	$ -	$ (232)	$ -	$ (232)	$ (344)
INVESTING ACTIVITIES								
Purchase of investments	(3,375)	41	-	41	(3,334)	-	(3,334)	(42,204)
Proceeds from sale of investments	4,292	5,485	394	5,879	10,171	-	10,171	21,122
Interest received from investments	291	-	-	-	291	-	291	142
Net cash provided by (used for) investing activities	1,208	5,526	394	5,920	7,128	-	7,128	(20,940)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,327	(101,081)	(1,125)	(102,206)	(96,879)	-	(96,879)	8,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,672	288,698	6,964	295,662	326,334	-	326,334	317,944
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 35,999	$ 187,617	$ 5,839	$ 193,456	$ 229,455	$ -	$ 229,455	$ 326,334
Cash and Cash Equivalents - Unrestricted	$ 12,089	$ -	$ -	$ -	$ 12,089	$ -	$ 12,089	$ 14,436
Cash and Cash Equivalents - Restricted	23,910	187,617	5,839	193,456	217,366	-	217,366	311,898
	$ 35,999	$ 187,617	$ 5,839	$ 193,456	$ 229,455	$ -	$ 229,455	$ 326,334

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2023	Total 2022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	$ 1,243	$ 10,914	$ 980	$ 11,894	$ 13,137	$ -	$ 13,137	$ 2,449
Adjustments to reconcile operating income to net cash from operating activities:								
Depreciation	32	-	-	-	32	-	32	8
Amortization								
Original issue discounts and premiums	-	(6,698)	(295)	(6,993)	(6,993)	-	(6,993)	(6,888)
Service release premiums	1,589	-	-	-	1,589	-	1,589	1,921
Leased assets	207	-	-	-	207	-	207	208
(Increase) decrease in fair value of investments	-	2,290	130	2,420	2,420	-	2,420	4,591
Reclassification of interest expense to other activities	15	37,543	1,056	38,599	38,614	-	38,614	28,973
Effect on cash flows due to changes in:								
Deferred outflow - pension	(2,353)	-	-	-	(2,353)	-	(2,353)	863
Deferred outflow - OPEB	(100)	-	-	-	(100)	-	(100)	5
Deferred inflows - pension	(1,794)	-	-	-	(1,794)	-	(1,794)	3,610
Deferred inflows - OPEB	(49)	-	-	-	(49)	-	(49)	39
Effect on cash flows due to changes in:								
Due from HUD	(585)	-	-	-	(585)	-	(585)	(44)
Due from State Agencies	-	-	-	-	-	-	-	57
Service release premium	(2,593)	-	-	-	(2,593)	-	(2,593)	(2,408)
Other receivables	(1,097)	(1,653)	(199)	(1,852)	(2,949)	2,375	(574)	(189)
Prepaid expenses	(11)	(2)	-	(2)	(13)	-	(13)	(18)
Loan interest receivable	-	(637)	67	(570)	(570)	-	(570)	534
Loans receivable	29	(255,993)	8,002	(247,991)	(247,962)	-	(247,962)	(108,910)
Due to HUD	10	-	-	-	10	-	10	(48)
Due to State Agencies	30	-	-	-	30	-	30	50
Other liabilities	(124)	2,823	1,023	3,846	3,722	(2,375)	1,347	111
Compensated absences	(2)	-	-	-	(2)	-	(2)	16
Funds held in trust	2,653	-	-	-	2,653	-	2,653	(3,256)
Net pension liability	5,205	-	-	-	5,205	-	5,205	(4,405)
Net cash provided by (used for) operating activities	$ 2,305	$ (211,413)	$ 10,764	$ (200,649)	$ (198,344)	$ -	$ (198,344)	$ (82,731)
Non-cash disclosures:								
Increase (decrease) in fair value of investments	$ (304)	$ (2,291)	$ (130)	$ (2,421)	$ (2,725)	$ -	$ (2,725)	$ (5,278)
Fair value transfers	$ (304)	$ 304	$ -	$ 304	$ -	$ -	$ -	$ -
Investment transfers	$ (917)	$ 917	$ -	$ 917	$ -	$ -	$ -	$ -
Administration and service fees adjustment	$ 2,677	$ (2,554)	$ (123)	$ (2,677)	$ -	$ -	$ -	$ -

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023

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	901,853	96,102	41,441	30,939	32,660	137,827	24,113
113	Cash - Other Restricted	16	-	-	-	-	-	-
115	Cash - Restricted for payment of current liability	-	12,552	2,659	1,524	-	13,168	-
100	**Total Cash**	**901,869**	**108,654**	**44,100**	**32,463**	**32,660**	**150,995**	**24,113**
122	Accounts Receivable - HUD Other Projects	154,448	-	1,679	-	9,078	-	5,396
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**	**154,448**	**-**	**1,679**	**-**	**9,078**	**-**	**5,396**
142	Prepaid Expenses and Other Assets	12,224	-	-	-	-	-	-
150	**Total Current Assets**	**1,068,541**	**108,654**	**45,779**	**32,463**	**41,738**	**150,995**	**29,509**
160	**Total Fixed Assets, Net of Accumulated Depreciation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
180	**Total Non-Current Assets**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
190/290	**Total Assets**	**1,068,541**	**108,654**	**45,779**	**32,463**	**41,738**	**150,995**	**29,509**
	Liabilities and Equity							
311	Bank Overdraft	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	48,826	1,449	375	650	850	1,250	599
331	Accounts Payable - HUD PHA Programs	16	12,552	2,659	1,524	-	13,168	-
310	**Total Current Liabilities**	**48,842**	**14,001**	**3,034**	**2,174**	**850**	**14,418**	**599**
350	**Total Noncurrent Liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
300	**Total Liabilities**	**48,842**	**14,001**	**3,034**	**2,174**	**850**	**14,418**	**599**
508	Total Contributed Capital	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	-	-	-	-	-	-
509.2	Fund Balance Reserved	-	-	-	-	-	-	-
511.4	Restricted Net Position	16	12,552	2,659	1,524	-	13,168	-
512.4	Unrestricted Net Position	1,019,683	82,101	40,086	28,765	40,888	123,409	28,910
513	**Total Equity/Net Assets**	**1,019,699**	**94,653**	**42,745**	**30,289**	**40,888**	**136,577**	**28,910**
600	**Total Liabilities and Equity/Net Assets**	**1,068,541**	**108,654**	**45,779**	**32,463**	**41,738**	**150,995**	**29,509**

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

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	13,544,750	126,257	15,420	61,536	110,686	76,809	66,493
71100	Investment Income - Unrestricted	-	-	-	-	-	-	-
72000	Investment Income - Restricted	1,536	26	7	12	15	23	11
700	**Total Revenue**	**13,546,286**	**126,283**	**15,427**	**61,548**	**110,701**	**76,832**	**66,504**
	Expenses							
91100	Administrative Salaries	364,183	9,769	2,527	4,379	5,726	8,421	4,042
91200	Auditing Fees	7,395	146	38	65	85	126	60
91500	Employee Benefit Contribution - Administrative	171,016	4,726	1,222	2,119	2,770	4,074	1,956
91600	Office Expense	51,279	1,124	292	505	660	970	466
91800	Travel	12,377	32	8	14	19	28	13
91900	Other	108,112	2,850	736	1,278	1,671	2,457	1,179
96900/91000	**Total Operating Expenses**	**714,362**	**18,647**	**4,823**	**8,360**	**10,931**	**16,076**	**7,716**
97000	**Excess Operating Revenue over Operating Expenses**	**12,831,924**	**107,636**	**10,604**	**53,188**	**99,770**	**60,756**	**58,788**
97300	Housing Assistance Payments	12,802,485	96,247	7,680	48,084	93,095	50,938	54,076
90000	**Total Expenses**	**13,516,847**	**114,894**	**12,503**	**56,444**	**104,026**	**67,014**	**61,792**
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
10000	**Excess (Deficiency) of Operating Revenue Over (Under) Expenses**	**29,439**	**11,389**	**2,924**	**5,104**	**6,675**	**9,818**	**4,712**
	Memo Account Information							
11020	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-
11030	Beginning Equity	990,260	83,264	39,821	25,185	34,213	126,759	24,198
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-	-
11130	Maximum Annual Contributions Commitment (per ACC)	18,333,803	134,999	-	67,631	107,399	106,667	64,800
11140	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-	-
11150	Contingency Reserve, ACC Program Reserve	1,943,171	106,162	50,109	33,469	41,605	52,810	23,665
11160	**Total Annual Contributions Available**	**20,276,974**	**241,161**	**50,109**	**101,100**	**149,004**	**159,477**	**88,465**
11190/11200	Unit Months Available	30,392	348	90	156	204	300	144
11210	Number of Unit Months Leased	30,392	239	31	110	191	168	138

NORTH DAKOTA HOUSING FINANCE AGENCY
ADJUSTED NET WORTH CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023
(In Thousands)

A. Adjusted net worth calculation

Stockholder's equity per statement of financial condition at end of reporting period		$ 232,204
Less:		
Itemized unacceptable assets		
1. Due from state agencies	$ -	
2.	$ -	
3.	$ -	
Total unacceptable assets		$ -
Adjusted net worth		$ 232,204

B. Required net worth calculation

Unpaid principal balance of securities outstanding (Note: number of pools = 40)	$ 162,259
Plus:	
Outstanding balance of commitment authority issued and requested	$ 10,000
Total outstanding portfolio and authority	$ 172,259
Required net worth	$ 3,068

C. Excess (deficit) net worth

(Adjusted net worth - required net worth)	$ 229,136

NORTH DAKOTA HOUSING FINANCE AGENCY
INSURANCE COVERAGE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023
(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	$ 162,259
Conventional (other)	1,552,530
Total servicing portfolio	$ 1,714,789
Required fidelity bond coverage	2,240
Required mortgage servicing errors and omissions coverage	2,240

C. Verification of insurance coverage

Fidelity bond coverage at end of reporting period	2,500
Mortgage servicing errors and omissions coverage at end of reporting period	3,000

D. Excess (deficit) insurance coverage

Fidelity bond coverage	260
Required servicing errors and omissions coverage	760

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, 2023
(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 nondepository institutions

Total adjusted net worth	$ 232,204	
Total assets	$ 1,884,179	
		Meets
Total adjusted net worth / total assets	12.32%	Yes

NORTH DAKOTA HOUSING FINANCE AGENCY
LIQUID ASSET REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2023
(In Thousands)

A. Liquid asset calculation

Required net worth (from adjusted net worth calculation, page 70)		$ 3,068
Acceptable liquid assets		
1. Cash and cash equivalents	$ 12,089	
Total liquid assets		$ 12,089

B. Required liquid asset

		Meets Requirement?
Excess (deficit) liquid (Total liquid assets / required net worth)	394%	Yes

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Federal Agency /Pass through Agency/Program	Federal AL Number	Passed Through to Subrecipients	Expenditures
Department of Housing and Urban Development			
Federal Housing Commission Division			
Direct programs			
Mortgage Insurance - Homes			
Previous year balance of loans on which there are continuing compliance requirements	14.117		$ 697,608,858
FHA loan principal disbursed during the fiscal year	14.117		130,951,015
Total			828,559,873
Ginnie Mae - Mortgage Insurance - Homes			
Previous year balance of loans on which there are continuing compliance requirements	14.UNK		154,813,442
Rent Supplements - Rental Housing for Lower Income Families	14.149		13,516,848
Housing Counseling Assistance Program	14.169	$ 55,267	55,267
Housing Trust Fund	14.275		4,821,112
Community Planning and Development Division			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation / Section 8 Project Based	14.856		416,672
Continuum of Care - Planning	14.267		77,419
Homeless Management Information System Capacity Building Project	14.261		26,712
Youth Homelessness Demonstration Grant	14.276		22,777
HOME Investment Partnership Program *	14.239	138,799	3,394,132
HOME ARP*	14.239		29,213
Pass through from the City of Minot:			
Community Development Block Grant - National Disaster Resilience Competition / CDBG Disaster Cluster	14.269		452
Total Department of Housing and Urban Development		194,066	1,005,733,919
Department of Veterans Affairs			
Veterans Benefits Administration Division			
Veterans Housing - Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.114		78,842,146
VA loan principal disbursed during the fiscal year	64.114		15,926,228
Total			94,768,374
Ginnie Mae - Veterans Housing Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.UNK		12,048,186
Total Department of Veteran Affairs			106,816,560
TOTAL		$ 194,066	$1,112,550,479

Total AL #14.239 = $3,423,345

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (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 2 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 3 BASIS OF PRESENTATION

The accompanying Schedule includes the federal award activity of North Dakota Housing Finance Agency under programs of the federal government for the year ended June 30, 2023. 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 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, 2023.

		2023
Mortgage Insurance - Homes	14.117	$ 757,701,751
Ginnie Mae -Mortgage Insurance - Homes	14.UNK	134,388,644
Veterans Housing - Guaranteed and Insured Loans	64.114	85,743,410
Ginnie Mae - Veterans Housing Guaranteed and Insured Loans	64.UNK	10,921,461
		$ 988,755,266

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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, 2023, 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 13, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

Report on 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 13, 2023

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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

Opinion on Each Major Federal Program

We have audited North Dakota Housing Finance Agency's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of North Dakota Housing Finance Agency's major federal programs for the year ended June 30, 2023. 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 programs and the related direct and material compliance requirements are as follows:

Name of Major 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, Delinquent Loans, Insurance Claims and Escrow Accounts
Ginnie Mae Issuers of Mortgage – Backed Securities: AL 14.UNK and & 64.UNK	Special Tests: Federal Financial Reports, Eligibility to Issue Mortgage-Backed Securities, Review of Custodial Documents, Issuer's Administration of Pooled Mortgage, Review of Monthly Accounting Reports and Quarterly Submissions, Securities and Trading Practices.
Rent Supplements – Rental Housing for Lower Income Families: AL 14.149	Cash Management, Reporting

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Dakota Housing Finance Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Dakota Housing Finance Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Dakota Housing Finance Agency's compliance with the requirements of each major federal program as a whole.
In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Dakota Housing Finance Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of North Dakota Housing Finance Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Housing Finance Agency's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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 13, 2023

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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

AL Number(s)	Name of Federal Program or Cluster
14.117	Mortgage Insurance – Homes
64.114	Veteran's Housing – Guaranteed and Insured Loans
14.UNK / 64.UNK	Ginnie Mae – Mortgage Insurance – Homes
	Ginnie Mae - Veterans Housing Guaranteed and Insured Loans
14.149	Rent Supplements – Rental Housing for Lower Income Families

Dollar threshold used to distinguish between Type A and Type B programs:	$1,032,264			
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.

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 statutes, 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 13, 2023

October 13, 2023

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, 2023. 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 29, 2023. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

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 were not changed during 2023. 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 13, 2023.

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 and notes to the schedule of expenditures of federal awards, 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

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