NORTH DAKOTA HOUSING FINANCE AGENCY
BISMARCK, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 on pages 61-74 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 16, 2024, 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 16, 2024

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, 2024 and 2023. 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 FY2024, mortgage loans receivable increased $316,386 to $1,892,508. This included $436,910 of new loans purchased, $703 of Loans sold to BND, $126,898 of repaid principal on mortgage loans and an increase in loan premiums of $7,090 and decrease in mortgage loan loss reserve of $13.

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 FY2024, bonds payable increased $337,891 from the FY2023 bonds payable to $1,938,268. This included the issuance of $464,000 new bonds, $126,840 bonds being called or maturing and a net increase in bond premiums of $731. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

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.

The Agency did not draw on either the BND or Federal Home Loan Bank lines of credit in FY2024 and FY2023, however both lines remained available to the Agency. The beginning and ending balances in FY2024 and FY2023 were $0 for both FHLB and BND.

The Agency's FY2024 net position increased $24,246 to $256,450 as a result of the year's program operations and financing activities.

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

FY2024 Income Before Transfers of $24,346 was higher than FY2023 by $11,053 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 FY2024 in approximately equal amounts.

Operating revenues in FY2024 of $89,451 were up $24,080 as a result of higher mortgage and investment income than in the prior year. This was partially offset by a small loss on the sale of investments and a slight decrease in fee income. The Agency continues to fund mortgage loans at a fast pace. Although mortgage rates have started to drop slightly, the pricing of mortgage revenue bonds continues to be competitive. With the higher interest rates over the last few years, the Agency has and continues to see a decrease in loan payoffs making refinances or move up mortgage purchases less favorable.

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 expenses for FY2024 of $70,503 were up $18,269 from the FY2023 Operating expenses as a result of higher bond interest expense, increase in Agency grants and higher bond admin expenses than what was incurred in the prior year. The pension expense decreased when compared to the prior year.

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.

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, 2024, 2023 and 2022
(In Thousands)

	2024	2023	2022	Change	Percentage
ASSETS					
Unrestricted current assets	$ 19,928	$ 15,824	$ 16,792	$ 4,104	26 %
Restricted current assets	321,596	259,589	349,503	62,007	24
Total current assets	341,524	275,413	366,295	66,111	24
Unrestricted noncurrent assets	8,792	7,915	7,264	877	11
Restricted noncurrent assets	1,905,525	1,600,851	1,365,724	304,674	19
Total noncurrent assets	1,914,317	1,608,766	1,372,988	305,551	19
Total assets	$ 2,255,841	$ 1,884,179	$ 1,739,283	$ 371,662	20 %
DEFERRED OUTFLOWS OF RESOURCES					
Total deferred outflows of resources	$ 3,829	$ 5,732	$ 3,279	$ (1,903)	(33) %
LIABILITIES					
Current liabilities	$ 121,509	$ 106,464	$ 82,509	$ 15,045	14 %
Noncurrent liabilities	1,857,055	1,532,278	1,432,574	324,777	21
Total liabilities	$ 1,978,564	$ 1,638,742	$ 1,515,083	$ 339,822	21 %
DEFERRED INFLOWS OF RESOURCES					
Total deferred inflows of resources	$ 24,656	$ 18,965	$ 8,560	$ 5,691	30 %
NET POSITION					
Net investment in capital assets	$ 92	$ 112	$ 117	$ (20)	(18) %
Restricted for debt service	235,456	217,892	201,443	17,564	8
Unrestricted	20,902	14,200	17,359	6,702	47
Total net position	$ 256,450	$ 232,204	$ 218,919	$ 24,246	10 %

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2024, 2023, and 2022
(In Thousands)

	2024	2023	2022	Change	Percentage	
OPERATING REVENUES						
Mortgage interest income	$ 63,706	$ 49,722	$ 39,298	$ 13,984	28	%
Investment income	21,152	10,977	464	10,175	93	
Gain (loss) on sale of investment	(9)	(176)	(320)	167	(95)	
Fee income	4,602	4,848	4,924	(246)	(5)	
Total revenues	89,451	65,371	44,366	24,080	37	%
OPERATING EXPENSES						
Interest expense	54,623	39,393	29,156	15,230	39	%
Agency grants	1,413	80	215	1,333	1,666	
Administrative and operating expenses	13,662	11,381	11,931	2,281	20	
Pension expense	512	1,092	384	(580)	(53)	
OPEB expense	47	49	15	(2)	-	
Amortization	213	207	208	6	-	
Depreciation	33	32	8	1	3	
Total expenses	70,503	52,234	41,917	18,269	35	%
OPERATING INCOME	18,948	13,137	2,449	5,811	44	%
NONOPERATING REVENUES (EXPENSES)						
Federal grants	20,648	22,117	15,065	(1,469)	-	%
Non-federal grants	5,060	113	128	4,947	-	
Investment income (loss)	338	43	(547)	295	686	
Federal grants	(20,648)	(22,117)	(15,065)	1,469	-	
	5,398	156	(419)	5,242	3,360	%
INCOME BEFORE TRANSFERS	24,346	13,293	2,030	11,053	83	%
TRANSFERS						
Transfers to Industrial Commission	(100)	(8)	(22)	(92)	1,150	
CHANGE IN NET POSITION	24,246	13,285	2,008	10,961	83	%
TOTAL NET POSITION, BEGINNING OF YEAR	232,204	218,919	216,911	13,285	6	%
TOTAL NET POSITION, END OF YEAR	$ 256,450	$ 232,204	$ 218,919	$ 24,246	10	%

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.

FY2024 Operating investment interest income of $21,152 was up $10,175 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.

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.

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 FY2024 Non-Operating Interest Income was $338 compared to $43 in FY2023. 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 offer the ROOTS program allowing a larger number of families to enjoy the benefits of North Dakota Housing Finance Agency's programs and affordable rates. The ROOTS program has slowed down this year due to the Agency putting more focus on the First Home Program which continues to be robust. Currently, both programs continue to be utilized. Similar to the past few 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 under the 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 FY2023, the Agency took over the administration of the HUD Emergency Solutions Grant and the North Dakota Homeless Grant.

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, 2024 AND 2023
(In Thousands)

	2024	2023
ASSETS		
CURRENT ASSETS - UNRESTRICTED		
Cash and cash equivalents	$ 16,135	$ 12,089
Due from State Agencies	331	-
Receivables		
Interest		
Loans	1	2
Investments	31	82
Due from HUD	438	844
Other	1,616	1,622
Current portion of service release premium	1,272	1,086
Prepaid expenses	104	99
Total unrestricted current assets	19,928	15,824
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents	271,866	217,366
Receivables		
Current portion of loans receivable, net of allowance	40,820	35,727
Interest		
Loans	6,827	5,096
Investments	2,083	1,400
Total restricted current assets	321,596	259,589
Total current assets	341,524	275,413
NONCURRENT ASSETS - UNRESTRICTED		
Service release premium, net	8,476	7,361
Equipment, net	96	121
Lease assets, net	220	433
Total unrestricted noncurrent assets	8,792	7,915
NONCURRENT ASSETS - RESTRICTED		
Loans receivable, net of current portion and allowance	1,851,688	1,540,395
Investments	53,837	60,456
Total restricted noncurrent assets	1,905,525	1,600,851
Total noncurrent assets	1,914,317	1,608,766
Total assets	2,255,841	1,884,179
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow - pension	3,713	5,566
Deferred outflow - OPEB	116	166
Total deferred outflows of resources	3,829	5,732

See Notes to Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2024 AND 2023
(In Thousands)

	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Due to HUD	$ 13	$ 30
Due to state agencies	519	433
Other	2,017	2,621
Current portion of compensated absences	380	376
Current portion of bonds payable, net of premium	65,667	60,133
Accrued interest	32,765	24,047
Funds held in trust	20,148	18,824
Total current liabilities	121,509	106,464
NONCURRENT LIABILITIES		
Net pension liability	4,972	7,455
Net OPEB liability	244	296
Financial derivative instrument	(20,762)	(15,936)
Bonds payable, net of current portion and premium	1,872,601	1,540,244
Other	-	219
Total noncurrent liabilities	1,857,055	1,532,278
Total liabilities	1,978,564	1,638,742
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow - pension	3,864	3,016
Deferred inflow - OPEB	30	13
Financial derivative instrument	20,762	15,936
Total deferred inflows of resources	24,656	18,965
NET POSITION		
Net investment in capital assets	92	112
Restricted for debt service	235,456	217,892
Unrestricted	20,902	14,200
Total net position	$ 256,450	$ 232,204

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, 2024 AND 2023
(In Thousands)

	2024	2023
OPERATING REVENUES		
Mortgage interest income	$ 63,706	$ 49,722
Investment income	21,152	10,977
Gain (loss) on sale of investments	(9)	(176)
Fee income	4,602	4,848
Total revenues	89,451	65,371
OPERATING EXPENSES		
Interest expense	54,623	39,393
Agency grants	1,413	80
Administrative and operating expenses	13,662	11,381
Pension expense	512	1,092
OPEB expense	47	49
Amortization	213	207
Depreciation	33	32
Total expenses	70,503	52,234
OPERATING INCOME	18,948	13,137
NONOPERATING REVENUES (EXPENSES)		
Federal grants	20,648	22,117
Non-federal grants	5,060	113
Investment income (loss)	338	43
Federal grants	(20,648)	(22,117)
Total nonoperating revenues (expenses)	5,398	156
INCOME BEFORE TRANSFERS	24,346	13,293
TRANSFERS		
Transfer to Industrial Commission	(100)	(8)
CHANGE IN NET POSITION	24,246	13,285
TOTAL NET POSITION, BEGINNING OF YEAR	232,204	218,919
TOTAL NET POSITION, END OF YEAR	$ 256,450	$ 232,204

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	2024	2023
OPERATING ACTIVITIES		
Receipts from customers	$ 320,618	$ 316,333
Proceeds from sale of loans receivable	703	-
Interfund mortgages loan purchases and sales	(279,531)	(249,289)
Grant funds received in advance	-	(655)
Payment of grants	(1,023)	-
Payments to service providers		
State agencies	(6,146)	(5,119)
Mortgage loan purchases	(270,105)	(242,357)
Other	(11,000)	(12,549)
Payments to employees	(5,378)	(4,708)
Net cash provided (used) by operating activities	(251,862)	(198,344)
NONCAPITAL FINANCING ACTIVITIES		
Principal payments on bonds payable	(126,840)	(123,540)
Proceeds from bond issuance	472,107	251,304
Interest paid on loans and bonds	(45,897)	(33,300)
Proceeds from federal grants	20,648	22,117
Proceeds from non-federal grants	5,060	113
Payment of federal grants	(20,648)	(22,117)
Transfers to Industrial Commission	(100)	(8)
Net cash provided (used) by noncapital financing activities	304,330	94,569
CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of equipment	(8)	(19)
Principal payments on lease payable	(218)	(198)
Interest paid on lease payable	(9)	(15)
Net cash used for capital and related financing activities	(235)	(232)
INVESTING ACTIVITIES		
Purchase of investments	-	(3,334)
Proceeds from sale of investments	5,843	10,171
Interest received from investments	470	291
Net cash provided (used) by for investing activities	6,313	7,128
NET CHANGE IN CASH AND CASH EQUIVALENTS	58,546	(96,879)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	229,455	326,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 288,001	$ 229,455
CASH AND CASH EQUIVALENTS - UNRESTRICTED	$ 16,135	$ 12,089
CASH AND CASH EQUIVALENTS - RESTRICTED	271,866	217,366
	$ 288,001	$ 229,455

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	2024	2023
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	$ 18,948	$ 13,137
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	33	32
Amortization		
Original issue discounts and premiums	(7,375)	(6,993)
Service release premium	1,658	1,589
Leased asset	213	207
Fair value (increases) decreases of investments	694	2,420
Reclassification of interest income/expense to other activities	53,939	38,614
Effect on cash flows due to changes in:		
Deferred outflow - pension	1,853	(2,353)
Deferred outflow - OPEB	50	(100)
Deferred inflows - pension	848	(1,794)
Deferred inflows - OPEB	17	(49)
Effect on cash flows due to changes in:		
Due from HUD	406	(585)
Due from State Agencies	(331)	-
Other receivables	6	(574)
Service release premium	(2,959)	(2,593)
Prepaid expenses	(5)	(13)
Loan interest receivable	(1,730)	(570)
Loans receivable	(316,383)	(247,962)
Due to HUD	(17)	10
Due to State Agencies	86	30
Other liabilities	(606)	1,347
Compensated absences	4	(2)
Funds held in trust	1,324	2,653
Net pension liability	(2,535)	5,205
Net cash used by operating activities	$ (251,862)	$ (198,344)
Non-cash disclosures:		
Increase (decrease) in fair value of investments	$ (775)	$ (2,725)

See Notes to the Financial Statements

NORTH DAKOTA HOUSING FINANCE AGENCY
STATEMENT OF APPROPRIATIONS
FOR THE BIENNIUM ENDED JUNE 30, 2024
(In Thousands)

The Agency's total appropriations of $72,427 consist of funding of $2,500 from general funds, $48,098 from federal funds and $21,829 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of HB 1014. As of June 30, 2024, the Agency has disbursed $1,031 of the $2,500 general fund transfer included in the grants, benefits, and claims appropriations below.

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).

	2023-2025 Appropriations Original	2023-2025 Appropriations As Adjusted	2023-2025 Expenditures	Unexpended Appropriations
Administrative Expenses:				
Salaries, wages and benefits	$ 11,113	$ 12,598	$ 5,709	$ 6,889
Operating expenses	10,904	10,904	3,395	7,509
Capital assets	20	20	8	12
Grants, benefits and claims	48,805	48,805	22,061	26,744
Contingency	100	100	-	100
Total	$ 70,942	$ 72,427	$ 31,173	$ 41,254

	2024
Total expenditures	$ 31,173
Less: Grants, benefits and claims	(22,061)
Administrative and operating expenses relating to	
Rental, Homeownership Bonds and Agency expenses	2,909
Amortization of service release premium	1,658
Depreciation	33
Interest expense on leased asset	(9)
Capital assets	(8)
Total administrative and operation expenses and depreciation	$ 13,695

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, 2024 and 2023 was $37,548 and $32,136, 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, 2024 and 2023 was $36,268 and $30,900, respectively.

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2024 and 2023 is as follows:

	2024	2023
Unrestricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 16,129	$ 12,085
Deposits at Federal Home Loan Bank	6	4
Total cash and cash equivalents	$ 16,135	$ 12,089
Restricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	$ 20,139	$ 18,815
Deposits at Federal Home Loan Bank	11	9
Deposits at Wilmington Trust	2,739	2,022
Cash and cash equivalents held in trust	241,159	187,385
Fixed rate investment agreements reported as cash equivalents	7,818	9,135
Total cash and cash equivalents	$ 271,866	$ 217,366

(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, 2024:

	Total Market Value	Less than 1 Year	1 - 5 Years	5 - 10 Years	More Than 10 Years
Total Debt Securities	$ 53,837	$ -	$ -	$ -	$ 53,837

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

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, 2024, the Agency owned $6,235 and the 1994 General Resolution Bond Issues owned $47,602 of the $53,837 Mortgage Backed Securities. The $47,602 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately $7,171, (all of which are MBS owned by the Agency), at June 30, 2024 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, 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.

(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, 2024.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
ASSETS				
Mortgage-backed securities				
Agency	$ 53,837	$ -	$ 53,837	$ -
Total	$ 53,837	$ -	$ 53,837	$ -
Interest rate swap	$ 20,762	$ -	$ 20,762	$ -

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	$ -

(In Thousands)

NOTE 5 LOANS RECEIVABLE

Loans receivable at June 30, 2024 and 2023 consist of the following:

	2024	2023
Restricted:		
Agency operating funds	$ 231	$ 347
Less: current portion	27	33
Total loan receivable, net of current portion	$ 204	$ 314
Restricted:		
Homeownership bond funds	$ 1,892,277	$ 1,575,775
Less: current portion	40,793	35,694
Total loan receivable, net of current portion	$ 1,851,484	$ 1,540,081

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 9.13% for the year ended June 30, 2024 and 2023 with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling $644 which have been foreclosed on and are owned by the Agency (REO), $252 in real estate loans in judgment (REJ), and 53 loans totaling $8,177 that were in the foreclosure process at June 30, 2024. At June 30, 2023, Homeownership and Agency mortgage loans included loans totaling $916 which have been foreclosed on and are owned by the Agency (REO), $272 in real estate loans in judgement (REJ), and 48 loans totaling $6,142 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.

At June 30, 2024, the Agency has $1,359 of HOME ARP loans and $18,257 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance. At June 30, 2023, the Agency 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:

	2024	2023
Due from HUD	$ 438	$ 844
Due to HUD	$ 13	$ 30

NOTE 7 EQUIPMENT

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

	Equipment	Accumulated Depreciation	Net Equipment
Balance July 1, 2022	$ 343	$ 210	$ 133
Additions	19	31	
Deletions	-	-	
Balance July 1, 2023	$ 362	$ 241	$ 121
Additions	8	33	
Deletions	(6)	(6)	
Balance June 30, 2024	$ 364	$ 268	$ 96

(In Thousands)

NOTE 8 OTHER RECEIVABLES

A detail of other receivables as of June 30, 2024 and 2023 is as follows:

	2024	2023
Unrestricted:		
Receivable from servicer	$ -	$ 189
Receivable from developers	663	514
Accounts receivable	953	919
	$ 1,616	$ 1,622

NOTE 9 OTHER LIABILITIES

A detail of other liabilities as of June 30, 2024 and 2023 is as follows:

	2024	2023
Remarketing fees	$ 39	$ 39
Commitment fees	87	86
Lease payable	224	442
Accounts payable	1,667	2,273
	$ 2,017	$ 2,840

(In Thousands)

NOTE 10 RELATED PARTY TRANSACTIONS

The Agency had the following transactions with related parties as of June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents - unrestricted		
Bank of North Dakota	$ 16,129	$ 12,085
Cash and cash equivalents - restricted		
Bank of North Dakota	$ 20,139	$ 18,815
Due from state agencies		
Housing Incentive Fund	$ 77	$ -
Office of Management and Budget	254	-
	$ 331	$ -
Due to state agencies		
Information Technology Department	$ 10	$ 9
Attorney General	4	3
Department of Transportation	1	1
Office of Management and Budget	504	420
	$ 519	$ 433
Transfers out		
Industrial Commission	$ 100	$ 8
Administrative and operating expenses		
Information Technology Department		
Telephone and data processing	$ 23	$ 21
Data processing	104	95
Attorney General		
Legal fees	18	18
Office of Management and Budget		
Supplies and conferences	2	2
Printing	27	26
Indirect cost allocation	15	26
Payroll and benefits	5,698	4,944
Department of Transportation		
Slate fleet rental	6	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
ND Suplus Property		
Laptops	2	-
Risk Management		
RM fund contribution	2	2
WC premiums	2	4
	$ 5,901	$ 5,151

(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, 2024 and 2023.

Lease Expense	Year Ending 6/30/24	Year Ending 6/30/23
Amortization expense by class of underlying asset		
Building	$ 213	$ 207
Total amortization expense	213	207
Interest on lease liabilities	9	15
Variable lease expense	-	-
Total	$ 222	$ 222

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2024.

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	(399)	(213)	-	-	(612)	
Total Lease Assets, net	$ 433	$ (213)	$ -	$ -	$ 220	
Lease Liabilities	$ 442	$ -	$ -	$ (218)	$ 224	$ 224

(In Thousands)

Following is a schedule of activity in leased assets and leased 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

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

Year Ending June 30,	Principal	Interest	Total Payments
2025	$ 224	$ 3	$ 227

NOTE 12 LONG-TERM LIABILITIES

Change in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

	Balance 7/1/23	Additions	Reductions	Balance 6/30/24	Amounts Due Within One Year
Homeownership bond funds, par	$ 1,573,540	$ 464,000	$ 121,840	$ 1,915,700	$ 59,020
Multi-family revenue bonds	5,000	-	5,000	-	-
Premium on bond funds	21,837	8,106	7,375	22,568	6,647
Compensated absences	376	299	295	380	380
	$ 1,600,753	$ 472,405	$ 134,510	$ 1,938,648	$ 66,047

(In Thousands)

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

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
2025	$ 59,020	$ 68,406	$ 127,426
2026	60,015	69,290	129,305
2027	63,705	67,888	131,593
2028	56,840	66,353	123,193
2029	53,425	64,926	118,351
2030 - 2034	268,505	301,990	570,495
2035 - 2039	321,040	256,199	577,239
2040 - 2044	338,105	196,066	534,171
2045 - 2049	402,910	122,456	525,366
2050 - 2054	286,755	38,323	325,078
2055 - 2059	5,380	163	5,543
Premiums	22,568	(22,568)	-
	$ 1,938,268	$ 1,229,492	$ 3,167,760

(In Thousands)

Schedules of Bonds Payable

The following summarizes the Agency's bonds payable outstanding at June 30, 2024 and 2023. 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	2024	2023
Series 2008 B			
Term Bond 7/1/38	Variable	$ 12,735	$ 12,735
Series 2015A			
Serial Bonds 7/1/23 - 7/1/24	2.65 - 2.90	1,235	2,605
Term Bond 1/1/38 (Premium)	4.00	915	1,440
Premium (Discount)		-	6
Series 2015BC			
Term Bond 1/1/36 (Premium)	4.00	810	3,025
Term Bond 1/1/46	Variable	14,240	15,040
Premium (Discount)		-	23
Series 2015DE			
Term Bond 7/1/46 (Premium)	4.00	2,215	4,830
Term Bond 7/1/36	Variable	16,930	17,230
Premium (Discount)		8	54
Series 2015F			
Term Bond 1/1/47	Variable	25,000	25,000
Series 2016AB			
Serial Bonds 7/1/22 - 1/1/27	1.80 - 2.55	16,495	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	9,850	13,455
Premium (Discount)		133	315
Series 2016CDE			
Serial Bonds 1/1/23 - 7/1/25	1.80 - 2.15	4,045	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	3,850
Term Bond 1/1/36	3.15	3,365	3,365
Term Bond 7/1/46 (Premium)	3.50	13,605	16,810
Premium (Discount)		224	436

(In Thousands)

	Interest Rate	2024	2023
Series 2017A			
Serial Bonds 1/1/23 - 7/1/27	2.20 - 2.95	$ 10,080	$ 13,395
Term Bond 7/1/47 (Premium)	4.00	7,155	9,545
Premium (Discount)		91	206
Series 2017BC			
Term Bond 1/1/47	Variable	13,940	13,940
Series 2017DE			
Serial Bonds 7/1/22 - 1/1/28	1.50 - 2.65	9,175	11,290
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	9,135	12,440
Premium (Discount)		201	396
Series 2017FGH			
Serial Bonds 1/1/23 - 1/1/25	2.25 - 2.55	495	3,785
Term Bonds 7/1/48 (Premium)	4.00	10,460	14,535
Term Bond 7/1/39	Variable	28,250	28,250
Premium (Discount)		188	356
Series 2018A			
Serial Bonds 7/1/22 - 7/1/29	2.35 - 3.20	11,260	13,595
Term Bonds 7/1/33	3.55	5,160	5,160
Term Bonds 7/1/38	3.75	5,320	5,320
Term Bonds 1/1/42	3.85	4,360	4,360
Term Bonds 7/1/49 (Premium)	4.00	13,450	16,500
Premium (Discount)		197	356
Series 2018BC			
Serial Bonds 7/1/22 - 1/1/25	3.25 - 3.55	1,120	2,980
Term Bond 1/1/49	Variable	9,355	9,355
Series 2018D			
Serial Bonds 7/1/22 - 7/1/29	2.15 - 3.25	16,780	19,575
Term Bond 7/1/33	3.55	4,130	4,130
Term Bond 7/1/38	3.85	3,875	3,875
Term Bond 7/1/42	3.95	3,560	3,560
Term Bond 1/1/49 (premium)	4.25	19,310	22,140
Premium (discount)		339	596
Series 2019AB			
Serial Bonds 1/1/23 - 1/1/28	2.20 - 2.85	6,810	8,620
Term Bonds 7/1/42	Variable	25,000	25,000
Term Bond 7/1/49 (premium)	4.25	12,735	16,720
Premium (discount)		301	501

NORTH DAKOTA HOUSING FINANCE AGENCY
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2024 AND 2023
(In Thousands)

	Interest Rate	2024	2023
Series 2019C			
Serial Bonds 7/1/22 - 1/1/30	1.80 - 2.55	$ 19,190	$ 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	12,650
Term Bonds 7/1/42	3.35	8,155	8,155
Term Bonds 1/1/50 (premium)	4.00	29,770	35,775
Premium (discount)		1,407	1,917
Series 2019DE			
Serial Bonds 7/1/22 - 7/1/29	2.65 - 3.45	3,080	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 7/1/22 - 7/1/32	1.40 - 2.50	17,750	19,630
Term Bonds 7/1/34	2.70	4,085	4,085
Term Bonds 7/1/39	2.95	9,540	9,540
Term Bonds 7/1/43	3.05	7,750	8,065
Term Bonds 7/1/50 (premium)	3.75	14,875	18,920
Premium (discount)		530	821
Series 2020A			
Serial Bonds 1/1/23 - 7/1/32	1.45 - 2.45	22,445	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	9,825	10,735
Term Bonds 1/1/51 (premium)	4.00	20,705	25,850
Premium (discount)		833	1,221
Series 2020B			
Serial Bonds 7/1/22 - 7/1/32	0.375 - 2.05	27,880	30,915
Term Bonds 7/1/35	2.10	11,205	11,205
Term Bonds 7/1/40	2.35	19,285	19,285
Term Bonds 7/1/44	2.50	15,490	15,490
Term Bonds 7/1/51 (premium)	3.00	29,875	35,330
Premium (discount)		1,360	1,961
Series 2021A			
Serial Bonds 7/1/22 - 7/1/32	0.20 - 1.95	27,120	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	31,885	36,170
Premium (discount)		1,621	2,266

(In Thousands)

	Interest Rate	2024	2023
Series 2021 BC			
Serial Bonds 7/1/22 - 1/1/27	0.25 - 1.40	$ 9,865	$ 13,560
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	46,865	51,130
Premium (discount)		2,436	3,154
Series 2022A			
Serial Bonds 1/1/23 - 7/1/34	1.55 - 3.40	32,375	35,075
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	16,115
Term Bonds 1/1/53 (premium)	4.00	38,135	40,475
Premium (discount)		1,209	1,610
Series 2022BC			
Serial Bonds 1/1/23 - 7/1/29	2.39 - 3.60	25,260	28,940
Term Bonds 1/1/50	Variable	30,000	30,000
Series 2022DE			
Serial Bonds 7/1/23 - 7/1/33	2.86 - 4.70	14,265	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	16,125	17,455
Term Bonds 7/1/37	3.95	6,135	6,135
Term Bonds 7/1/42	4.10	12,425	12,425
Term Bonds 1/1/47	4.25	14,150	14,150
Term Bonds 1/1/53 (Premium)	5.00	23,790	24,835
Premium (Discount)		1,223	1,603
Series 2023A			
Serial Bonds 1/1/24 - 7/1/35	2.65 - 4.15	28,795	29,720
Term Bonds 7/1/38	4.45	10,380	10,380
Term Bonds 7/1/43	4.60	21,280	21,280
Term Bonds 7/1/47	4.70	20,990	20,990
Term Bonds 7/1/53 (Premium)	5.75	42,280	42,630
Premium (Discount)		2,846	3,623
Series 2023BC			
Serial Bonds 1/1/24 - 7/1/34	4.260 - 5.359	7,865	8,140
Term Bonds 7/1/2039	5.45	5,135	5,135
Term Bonds 7/1/2047	Variable	13,330	13,330
Term Bonds 7/1/2053 (Premium)	6.00	13,170	13,395
Premium (Discount)		327	416
2022 Multifamily Revenue Bonds 9/1/25	2.45	-	5,000

(In Thousands)

	Interest Rate	2024	2023
Series 2023D			
Serial Bonds 7/1/24 - 7/1/35	3.250 - 4.000	$ 27,900	$ -
Term Bonds 7/1/38	4.2	10,005	-
Term Bonds 7/1/43	4.5	20,620	-
Term Bonds 7/1/48	4.55	25,175	-
Term Bonds 1/1/54 (Premium)	5.75	41,300	-
Premium (Discount)		2,713	-
Series 2023E			
Serial Bonds 7/1/24 - 7/1/33	5.266-5.371	12,240	-
Term Bonds 7/1/38	5.421	9,535	-
Term Bonds 7/1/43	5.537	12,800	-
Term Bonds 7/1/48	5.587	16,175	-
Term Bonds 1/1/54 (Premium)	6.25	24,250	-
Premium (Discount)		676	-
Series 2023F			
Serial Bonds 1/1/25 - 7/1/35	3.600 - 4.400	15,475	-
Term Bonds 7/1/38	4.65	5,915	-
Term Bonds 7/1/43	4.9	12,300	-
Term Bonds 7/1/48	5.1	16,310	-
Term Bonds 1/1/50	5.125	5,650	-
Term Bonds 1/1/54 (Premium)	6.25	19,350	-
Premium (Discount)		1,231	-
Series 2024A			
Serial Bonds 1/1/25 - 7/1/36	3.100 -3.950	35,545	-
Term Bonds 7/1/39	4.05	12,280	-
Term Bonds 7/1/44	4.55	25,040	-
Term Bonds 7/1/49	4.7	32,595	-
Term Bonds 1/1/52	4.75	17,990	-
Term Bonds 7/1/54 (Premium)	6	25,550	-
Premium (Discount)		2,267	-
Series 2024B			
Term Bonds 7/1/34	5.25	6,325	-
Term Bonds 7/1/39	5.543	5,010	-
Term Bonds 7/1/44	5.781	6,785	-
Term Bonds 7/1/49	5.861	9,285	-
Term Bonds 1/1/52	5.931	5,545	-
Term Bonds 7/1/54 (Premium)	6.25	7,050	-
Premium (Discount)		207	-
		$ 1,938,268	$ 1,600,377

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 $1,938,268 maturing at various times from July 1, 2024 through July 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 net of premium amortization for the current year were $121,840 and $45,856, respectively for the year ended June 30, 2024. Principal and interest paid net of premium amortization for the year were $123,540 and $33,300, respectively for the year ended June 30, 2023.

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

NOTE 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) or the Secured Overnight Financing Rate (SOFR)[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, 2024, the Agency had 11 swaps with a positive fair value totaling $20,762. As of June 30, 2023, the Agency had 11 swaps with a positive fair value totaling $15,936. 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/SOFR 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, 2024 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of $5,962 and the swap providers owed the Agency a variable rate on the notional amounts of $9,927 making the net payment the Agency is owed from the swap providers $3,965. 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 payments the Agency owes the swap providers $3,505.

Fair Value

Due to the difference in the variable rate indices, the swaps had a net positive fair value[10] of $20,762 and $15,936 at June 30, 2024 and 2023, 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, 2024 and 2023. 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/SOFR 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, 2024 and 2023. 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, 2024 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	12,830	20,545
5	Variable-rate Bonds	11,745	18,840	12,830	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	896	1,082	1,626	2,226
11	Percentage of LIBOR	3.70703%	3.83792%	5.44868%	5.44868%
12	Synthetic Rate	-0.31103%	-0.67092%	-1.47868%	0.07286%
13	Actual Synthetic Rate	3.00534%	1.87677%	2.28415%	2.73484%
14	Change in Fair Value	194	64	46	233
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	2,153	832	1,636	2,236
11	Percentage of LIBOR	3.70792%	5.44868%	3.81408%	5.44868%
12	Synthetic Rate	-0.54192%	-0.33368%	-0.01158%	-0.67768%
13	Actual Synthetic Rate	2.17791%	3.47119%	2.95053%	3.14039%
14	Change in Fair Value	324	210	362	571
15	Optional Termination Date	N/A	7/1/2027	N/A	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	4,328	3,016	731
11	Percentage of LIBOR	5.49868%	5.49868%	5.59868%
12	Synthetic Rate	-1.25468%	-0.09068%	0.49432%
13	Actual Synthetic Rate	2.56684%	3.72103%	4.26228%
14	Change in Fair Value	816	1,439	567
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, 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)

Swap Payments and Associated Debt

Using rates as of June 30, 2024, 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, 2024. 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
2025	$ 1,700	$ 3,004	$ (3,941)	$ 763
2026	3,175	2,929	(3,848)	2,256
2027	4,860	2,846	(3,740)	3,966
2028	4,575	2,766	(3,633)	3,708
2029	4,875	2,687	(3,526)	4,036
2030 - 2034	45,460	11,477	(14,691)	42,246
2035 - 2039	53,605	8,144	(9,714)	52,035
2040 - 2044	41,810	5,022	(5,692)	41,140
2045 - 2049	28,485	2,587	(2,897)	28,175
2050 - 2054	18,615	452	(492)	18,575
	$ 207,160	$ 41,914	$ (52,174)	$ 196,900

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, 2024, the line of credit has no outstanding balance, has a credit limit of $60,000 and expires on July 1, 2025. The line of credit bears interest at 6.93%.

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 did not make draws on this line of credit during the years ended June 30, 2024 and 2023.

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 $14,618 as of June 30, 2024. In addition, borrowings are collateralized by $23,386 of loans receivable and $17 of cash and investments. 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.

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on 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.

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, 2024 and 2023, the Agency reported a liability of $4,972 and $7,455 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2023 and 2022 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, 2023, the Agency's proportion was 0.257842 percent, which was a decrease of 0.001012 percent from its proportion measured as of June 30, 2022.

(In Thousands)

For the year ended June 30, 2024, the Agency recognized pension expense of $512. At June 30, 2024, 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	$ 162	$ (27)
Changes of assumptions	2,742	(3,774)
Net difference between projected and actual earnings on pension plan investments	130	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	384	(63)
Employer contributions subsequent to the measurement date	295	-
Total	$ 3,713	$ (3,864)

$295 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, 2025.

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:	
2025	$ 130
2026	(426)
2027	140
2028	(290)

(In Thousands)

Actuarial Assumptions

The total pension liability in the July 1, 2023 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	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed	23%	2.51%
Global Real Assets	19%	4.33%

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 3.86%; and the resulting Single Discount Rate is 6.50%.

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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate at June 30, 2024:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	$ 6,855	$ 4,972	$ 3,410

Pension plan fiduciary net position

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

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, 2024 and 2023, the Agency reported a liability of $244 and $296 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2023 and 2022 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 0.244396 percent, which is a decrease of 0.002104 percent from its proportion measured as of June 30, 2022.

(In Thousands)

For the year ended June 30, 2024, the Employer recognized OPEB expense of $47. At June 30, 2024, 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	$ 5	$ (3)
Changes of assumptions	52	(20)
Net difference between projected and actual earnings on OPEB plan investments	18	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10	(7)
Employer contributions subsequent to the measurement date	31	-
Total	$ 116	$ (30)

$31 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, 2025.

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:	
2025	$ 19
2026	17
2027	26
2028	(7)

(In Thousands)

Actuarial assumptions

The total OPEB liability in the July 1, 2023 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, 2023 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Index	33%	5.50%
US Small Cap Equity	6%	7.65%
World Equity ex-US	26%	6.82%
US High Yield	3%	5.32%
Emerging Markets Debt	4%	6.25%
Core Fixed Income	28%	4.04%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. 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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	$ 321	$ 244	$ 180

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.

	2024	2023
Commitments to extend credit	$ 155,462	$ 87,542
Loan Acquisition Fund	$ 69,120	$ 67,935

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, 2024 and 2023, the Agency had no outstanding guarantees on loans owned by financial institutions.

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 $406 per person and $1,625 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, 2024, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	$ 43,460	$ 303,394	$ (5,330)	$ 341,524
Capital assets - net	96	-	-	96
Noncurrent assets - other	8,900	1,905,321	-	1,914,221
Total assets	52,456	2,208,715	(5,330)	2,255,841
Deferred outflow of resources	3,829	-	-	3,829
Current liabilities - other	26,181	100,658	(5,330)	121,509
Noncurrent liabilities - other	5,216	1,851,839	-	1,857,055
Total liabilities	31,397	1,952,497	(5,330)	1,978,564
Deferred inflow of resources	3,894	20,762	-	24,656
Invested in capital assets	92	-	-	92
Net position - unrestricted	20,902	-	-	20,902
Net position - restricted	-	235,456	-	235,456
Total net position	$ 20,994	$ 235,456	$ -	$ 256,450

(In Thousands)

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

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, 2024, 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	$ 14	$ 63,692	$ -	$ 63,706
Investment income	-	21,152	-	21,152
Gain on sale of investments	-	(9)	-	(9)
Fee income	12,466	-	(7,864)	4,602
Depreciation	(33)	-	-	(33)
Other operating expenses	(11,144)	(67,190)	7,864	(70,470)
Operating income	1,303	17,645	-	18,948
Nonoperating revenues (expenses)				
Federal grants	20,648	-	-	20,648
Non-federal grants	5,060	-	-	5,060
Investment income	338	-	-	338
Federal grants	(20,648)	-	-	(20,648)
Transfers	(100)	-	-	(100)
Change in net position	6,601	17,645	-	24,246
Total net position, beginning of year	14,312	217,892	-	232,204
Equity transfer in (out)	81	(81)	-	-
Total net position, end of year	$ 20,994	$ 235,456	$ -	$ 256,450
Statement of Cash Flows				
Net cash used by operating activities	$ 191	$ (252,053)	$ -	$ (251,862)
Net cash used for noncapital financing activities	(81)	304,411	-	304,330
Net cash used for capital and related financing activities	(235)	-	-	(235)
Net cash from (used by) investing activities	470	5,843	-	6,313
Change in cash and cash equivalents	345	58,201	-	58,546
Cash and cash equivalents, beginning of year	35,999	193,456	-	229,455
Cash and cash equivalents, end of year	$ 36,344	$ 251,657	$ -	$ 288,001

(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, 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 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

NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS

GASB Statement No. 101, *Compensated Absences,* updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The statement is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

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

NOTE 23 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Agency's year end. Subsequent events have been evaluated through October 16, 2024, 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
2024	0.25784%	$ 4,972	$ 3,281	151.54%	65.31%
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
2024	$ 295	$ (295)	$ -	$ 3,714	7.95%
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.

(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
2024	0.244396%	$ 244	$ 2,457	9.95%	62.74%
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
2024	$ 31	$ (31)	$ -	$ 2,727	1.14%
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

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Changes of Assumptions.

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

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, 2022.

Changes of Assumptions.

All 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. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
ASSETS								
CURRENT ASSETS - UNRESTRICTED								
Cash and cash equivalents	$ 16,135	$ -	$ -	$ -	$ 16,135	$ -	$ 16,135	$ 12,089
Due from State Agencies	331	-	-	-	331	-	331	-
Receivables								
Interest								
Loans	1	-	-	-	1	-	1	2
Investments	31	-	-	-	31	-	31	82
Due from HUD	438	-	-	-	438	-	438	844
Other	4,942	-	-	-	4,942	(3,326)	1,616	1,622
Current portion of service release premium	1,272	-	-	-	1,272	-	1,272	1,086
Prepaid expenses	74	30	-	30	104	-	104	99
Total unrestricted current assets	23,224	30	-	30	23,254	(3,326)	19,928	15,824
CURRENT ASSETS - RESTRICTED								
Cash and cash equivalents	20,209	245,628	6,029	251,657	271,866	-	271,866	217,366
Receivables								
Current portion of loans receivable, net of allowance	27	38,752	2,041	40,793	40,820	-	40,820	35,727
Interest								
Loans	-	6,640	187	6,827	6,827	-	6,827	5,096
Investments	-	2,046	37	2,083	2,083	-	2,083	1,400
Other	-	1,990	14	2,004	2,004	(2,004)	-	-
Total restricted current assets	20,236	295,056	8,308	303,364	323,600	(2,004)	321,596	259,589
Total current assets	43,460	295,086	8,308	303,394	346,854	(5,330)	341,524	275,413
NONCURRENT ASSETS - UNRESTRICTED								
Service release premium, net	8,476	-	-	-	8,476	-	8,476	7,361
Equipment, net	96	-	-	-	96	-	96	121
Leased asset, net	220	-	-	-	220	-	220	433
Total unrestricted noncurrent assets	8,792	-	-	-	8,792	-	8,792	7,915
NONCURRENT ASSETS - RESTRICTED								
Loans receivable, net of current portion, net of allowance	204	1,799,731	51,753	1,851,484	1,851,688	-	1,851,688	1,540,395
Investments	-	51,116	2,721	53,837	53,837	-	53,837	60,456
Total restricted noncurrent assets	204	1,850,847	54,474	1,905,321	1,905,525	-	1,905,525	1,600,851
Total noncurrent assets	8,996	1,850,847	54,474	1,905,321	1,914,317	-	1,914,317	1,608,766
Total assets	52,456	2,145,933	62,782	2,208,715	2,261,171	(5,330)	2,255,841	1,884,179
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflow - pension	3,713	-	-	-	3,713	-	3,713	5,566
Deferred outflow - OPEB	116	-	-	-	116	-	116	166
Total deferred outflows of resources	3,829	-	-	-	3,829	-	3,829	5,732

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF NET POSITION - CONTINUED
JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
LIABILITIES								
CURRENT LIABILITIES								
Due to HUD	$ 13	$ -	$ -	$ -	$ 13	$ -	$ 13	$ 30
Due to State Agencies	519	-	-	-	519	-	519	433
Other	5,121	2,199	27	2,226	7,347	(5,330)	2,017	2,621
Current portion of compensated absences	380	-	-	-	380	-	380	376
Current portion of bonds payable, net of premium	-	62,620	3,047	65,667	65,667	-	65,667	60,133
Accrued interest	-	32,209	556	32,765	32,765	-	32,765	24,047
Funds held in trust	20,148	-	-	-	20,148	-	20,148	18,824
Total current liabilities	26,181	97,028	3,630	100,658	126,839	(5,330)	121,509	106,464
NONCURRENT LIABILITIES								
Net pension liability	4,972	-	-	-	4,972	-	4,972	7,455
Net OPEB liability	244	-	-	-	244	-	244	296
Financial derivative instrument	-	(20,762)	-	(20,762)	(20,762)	-	(20,762)	(15,936)
Bonds payable, net of current portion and premium	-	1,836,809	35,792	1,872,601	1,872,601	-	1,872,601	1,540,244
Other	-	-	-	-	-	-	-	219
Total noncurrent liabilities	5,216	1,816,047	35,792	1,851,839	1,857,055	-	1,857,055	1,532,278
Total liabilities	31,397	1,913,075	39,422	1,952,497	1,983,894	(5,330)	1,978,564	1,638,742
DEFERRED INFLOWS OF RESOURCES								
Deferred inflow - pension	3,864	-	-	-	3,864	-	3,864	3,016
Deferred inflow - OPEB	30	-	-	-	30	-	30	13
Financial derivative instrument	-	20,762	-	20,762	20,762	-	20,762	15,936
Total deferred inflows of resources	3,894	20,762	-	20,762	24,656	-	24,656	18,965
NET POSITION								
Invested in capital assets	92	-	-	-	92	-	92	112
Restricted for debt service	-	212,096	23,360	235,456	235,456	-	235,456	217,892
Unrestricted	20,902	-	-	-	20,902	-	20,902	14,200
Total net position	$ 20,994	$ 212,096	$ 23,360	$ 235,456	$ 256,450	$ -	$ 256,450	$ 232,204

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
OPERATING REVENUES								
Mortgage interest income	$ 14	$ 61,725	$ 1,967	$ 63,692	$ 63,706	$ -	$ 63,706	$ 49,722
Investment income	-	20,821	331	21,152	21,152	-	21,152	10,977
Gain (loss) on sale of investments	-	(9)	-	(9)	(9)	-	(9)	(176)
Fee income	12,466	-	-	-	12,466	(7,864)	4,602	4,848
Total revenues	12,480	82,537	2,298	84,835	97,315	(7,864)	89,451	65,371
OPERATING EXPENSES								
Interest expense	9	53,665	949	54,614	54,623	-	54,623	39,393
Agency grants	1,413	-	-	-	1,413	-	1,413	80
Administrative and operating expenses	8,950	12,326	250	12,576	21,526	(7,864)	13,662	11,381
Pension expense	512	-	-	-	512	-	512	1,092
OPEB expense	47	-	-	-	47	-	47	49
Amortization	213	-	-	-	213	-	213	207
Depreciation	33	-	-	-	33	-	33	32
Total expenses	11,177	65,991	1,199	67,190	78,367	(7,864)	70,503	52,234
OPERATING INCOME	1,303	16,546	1,099	17,645	18,948	-	18,948	13,137
NONOPERATING REVENUE (EXPENSES)								
Federal grants	20,648	-	-	-	20,648	-	20,648	22,117
Non-federal grants	5,060	-	-	-	5,060	-	5,060	113
Investment income (loss)	338	-	-	-	338	-	338	43
Federal grants	(20,648)	-	-	-	(20,648)	-	(20,648)	(22,117)
Total nonoperating revenues (expenses)	5,398	-	-	-	5,398	-	5,398	156
CHANGE IN ASSETS BEFORE TRANSFERS	6,701	16,546	1,099	17,645	24,346	-	24,346	13,293
TRANSFERS								
Transfer to Industrial Commission	(100)	-	-	-	(100)	-	(100)	(8)
CHANGE IN NET POSITION	6,601	16,546	1,099	17,645	24,246	-	24,246	13,285
TOTAL NET POSITION, BEGINNING OF YEAR	14,312	195,631	22,261	217,892	232,204	-	232,204	218,919
TRANSFER IN (OUT)	81	(81)	-	(81)	-	-	-	-
TOTAL NET POSITION, END OF YEAR	$ 20,994	$ 212,096	$ 23,360	$ 235,456	$ 256,450	$ -	$ 256,450	$ 232,204

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds: 1994 General Resolution	Homeownership Bond Funds: 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
OPERATING ACTIVITIES								
Receipts from customers	$ 10,255	$ 309,212	$ 8,252	$ 317,464	$ 327,719	$ (7,101)	$ 320,618	$ 316,333
Proceeds from sale of loans receivable	-	703	-	703	703	-	703	-
Interfund mortgages loan purchases and sales	-	(279,531)	-	(279,531)	(279,531)	-	(279,531)	(249,289)
Grant funds received in advance	-	-	-	-	-	-	-	(655)
Payment of grants	(1,023)	-	-	-	(1,023)	-	(1,023)	-
Payments to service providers								
State agencies	(6,146)	-	-	-	(6,146)	-	(6,146)	(5,119)
Mortgage loan purchases	-	(270,105)	-	(270,105)	(270,105)	-	(270,105)	(242,357)
Other	2,483	(19,244)	(1,340)	(20,584)	(18,101)	7,101	(11,000)	(12,549)
Payments to employees	(5,378)	-	-	-	(5,378)	-	(5,378)	(4,708)
Net cash provided by (used for) operating activities	191	(258,965)	6,912	(252,053)	(251,862)	-	(251,862)	(198,344)
NONCAPITAL FINANCING ACTIVITIES								
Principal payments on bonds payable	(5,000)	(115,830)	(6,010)	(121,840)	(126,840)	-	(126,840)	(123,540)
Proceeds from bond issuance	-	472,107	-	472,107	472,107	-	472,107	251,304
Interest paid on loans and bonds	(41)	(44,825)	(1,031)	(45,856)	(45,897)	-	(45,897)	(33,300)
Proceeds from non-federal grants	5,060	-	-	-	5,060	-	5,060	113
Proceeds from federal grants	20,648	-	-	-	20,648	-	20,648	22,117
Payment of federal grants	(20,648)	-	-	-	(20,648)	-	(20,648)	(22,117)
Transfers to Industrial Commission	(100)	-	-	-	(100)	-	(100)	(8)
Net cash provided by (used for) noncapital financing activities	(81)	311,452	(7,041)	304,411	304,330	-	304,330	94,569

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchase of equipment	$ (8)	$ -	$ -	$ -	$ (8)	$ -	$ (8)	$ (19)
Principal payments on lease payable	(218)	-	-	-	(218)	-	(218)	(198)
Interest paid on lease payable	(9)	-	-	-	(9)	-	(9)	(15)
Net cash used for capital and related financing activities	(235)	-	-	-	(235)	-	(235)	(232)
INVESTING ACTIVITIES								
Purchase of investments	-	-	-	-	-	-	-	(3,334)
Proceeds from sale of investments	-	5,524	319	5,843	5,843	-	5,843	10,171
Interest received from investments	470	-	-	-	470	-	470	291
Net cash provided by (used for) investing activities	470	5,524	319	5,843	6,313	-	6,313	7,128
NET CHANGE IN CASH AND CASH EQUIVALENTS	345	58,011	190	58,201	58,546	-	58,546	(96,879)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	35,999	187,617	5,839	193,456	229,455	-	229,455	326,334
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 36,344	$ 245,628	$ 6,029	$ 251,657	$ 288,001	$ -	$ 288,001	$ 229,455
Cash and Cash Equivalents - Unrestricted	$ 16,135	$ -	$ -	$ -	$ 16,135	$ -	$ 16,135	$ 12,089
Cash and Cash Equivalents - Restricted	20,209	245,628	6,029	251,657	271,866	-	271,866	217,366
	$ 36,344	$ 245,628	$ 6,029	$ 251,657	$ 288,001	$ -	$ 288,001	$ 229,455

NORTH DAKOTA HOUSING FINANCE AGENCY
COMBINING STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds 1994 General Resolution	Homeownership Bond Funds 2009 General Resolution	Homeownership Bond Funds	Total	Elimination	Total 2024	Total 2023
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	$ 1,303	$ 16,546	$ 1,099	$ 17,645	$ 18,948	$ -	$ 18,948	$ 13,137
Adjustments to reconcile operating income to net cash from operating activities:								
Depreciation	33	-	-	-	33	-	33	32
Amortization								
Original issue discounts and premiums	-	(7,163)	(212)	(7,375)	(7,375)	-	(7,375)	(6,993)
Service release premiums	1,658	-	-	-	1,658	-	1,658	1,589
Leased assets	213	-	-	-	213	-	213	207
(Increase) decrease in fair value of investments	-	660	34	694	694	-	694	2,420
Reclassification of interest expense to other activities	9	52,986	944	53,930	53,939	-	53,939	38,614
Effect on cash flows due to changes in:								
Deferred outflow - pension	1,853	-	-	-	1,853	-	1,853	(2,353)
Deferred outflow - OPEB	50	-	-	-	50	-	50	(100)
Deferred inflows - pension	848	-	-	-	848	-	848	(1,794)
Deferred inflows - OPEB	17	-	-	-	17	-	17	(49)
Effect on cash flows due to changes in:								
Due from HUD	406	-	-	-	406	-	406	(585)
Due from State Agencies	(331)	-	-	-	(331)	-	(331)	-
Service release premium	(2,959)	-	-	-	(2,959)	-	(2,959)	(2,593)
Other receivables	(1,992)	1,041	194	1,235	(757)	763	6	(574)
Prepaid expenses	(4)	(1)	-	(1)	(5)	-	(5)	(13)
Loan interest receivable	1	(1,728)	(3)	(1,731)	(1,730)	-	(1,730)	(570)
Loans receivable	117	(322,229)	5,729	(316,500)	(316,383)	-	(316,383)	(247,962)
Due to HUD	(17)	-	-	-	(17)	-	(17)	10
Due to State Agencies	86	-	-	-	86	-	86	30
Other liabilities	107	923	(873)	50	157	(763)	(606)	1,347
Compensated absences	4	-	-	-	4	-	4	(2)
Funds held in trust	1,324	-	-	-	1,324	-	1,324	2,653
Net pension liability	(2,535)	-	-	-	(2,535)	-	(2,535)	5,205
Net cash provided by (used for) operating activities	$ 191	$ (258,965)	$ 6,912	$ (252,053)	$ (251,862)	$ -	$ (251,862)	$ (198,344)
Non-cash disclosures:								
Increase (decrease) in fair value of investments	$ (81)	$ (660)	$ (34)	$ (694)	$ (775)	$ -	$ (775)	$ (2,725)

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024

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	894,214	102,888	-	30,615	42,898	145,112	32,648
113	Cash - Other Restricted	16	-	-	-	-	-	-
115	Cash - Restricted for payment of current liability	-	2,019	-	-	-	7,056	4,070
100	**Total Cash**	**894,230**	**104,907**	**-**	**30,615**	**42,898**	**152,168**	**36,718**
122	Accounts Receivable - HUD Other Projects	183,459	-	-	4,113	3,794	-	-
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**	**183,459**	**-**	**-**	**4,113**	**3,794**	**-**	**-**
142	Prepaid Expenses and Other Assets	12,629	-	-	-	-	-	-
150	**Total Current Assets**	**1,090,318**	**104,907**	**-**	**34,728**	**46,692**	**152,168**	**36,718**
160	**Total Fixed Assets, Net of Accumulated Depreciation**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
180	**Total Non-Current Assets**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
190/290	**Total Assets**	**1,090,318**	**104,907**	**-**	**34,728**	**46,692**	**152,168**	**36,718**
	Liabilities and Equity							
311	Bank Overdraft	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	86,143	1,702	-	910	1,189	1,749	770
331	Accounts Payable - HUD PHA Programs	16	2,019	-	-	-	7,056	4,070
310	**Total Current Liabilities**	**86,159**	**3,721**	**-**	**910**	**1,189**	**8,805**	**4,840**
350	**Total Noncurrent Liabilities**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
300	**Total Liabilities**	**86,159**	**3,721**	**-**	**910**	**1,189**	**8,805**	**4,840**
508	Total Contributed Capital	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	-	-	-	-	-	-
509.2	Fund Balance Reserved	-	-	-	-	-	-	-
511.4	Restricted Net Position	16	2,019	-	-	-	7,056	4,070
512.4	Unrestricted Net Position	1,004,143	99,167	-	33,818	45,503	136,307	27,808
513	**Total Equity/Net Assets**	**1,004,159**	**101,186**	**-**	**33,818**	**45,503**	**143,363**	**31,878**
600	**Total Liabilities and Equity/Net Assets**	**1,090,318**	**104,907**	**-**	**34,728**	**46,692**	**152,168**	**36,718**

NORTH DAKOTA HOUSING FINANCE AGENCY
HOUSING AND URBAN DEVELOPMENT -
SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2024

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	13,946,974	118,343	-	71,230	100,492	94,159	51,473
71100	Investment Income - Unrestricted	-	-	-	-	-	-	-
72000	Investment Income - Restricted	1,849	12	-	6	8	12	5
700	**Total Revenue**	**13,948,823**	**118,355**	**-**	**71,236**	**100,500**	**94,171**	**51,478**
	Expenses							
91100	Administrative Salaries	389,625	9,511	-	5,081	6,645	9,772	4,300
91200	Auditing Fees	7,113	146	-	78	102	150	66
91500	Employee Benefit Contribution - Administrative	191,067	4,722	-	2,523	3,299	4,852	2,135
91600	Office Expense	51,761	1,074	-	574	750	1,103	485
91800	Travel	10,569	65	-	35	45	67	29
91900	Other	144,159	3,540	-	1,891	2,473	3,637	1,601
96900/91000	**Total Operating Expenses**	**794,294**	**19,058**	**-**	**10,182**	**13,314**	**19,581**	**8,616**
97000	**Excess Operating Revenue over Operating Expenses**	**13,154,529**	**99,297**	**-**	**61,054**	**87,186**	**74,590**	**42,862**
97300	Housing Assistance Payments	13,170,069	92,764	-	57,525	82,571	67,804	39,892
90000	**Total Expenses**	**13,964,363**	**111,822**	**-**	**67,707**	**95,885**	**87,385**	**48,508**
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
10000	**Excess (Deficiency) of Operating Revenue Over (Under) Expenses**	**(15,540)**	**6,533**	**-**	**3,529**	**4,615**	**6,786**	**2,970**
	Memo Account Information							
11020	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-	-
11030	Beginning Equity	1,019,699	94,653	42,745	30,289	40,888	136,577	28,910
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	(42,745)	-	-	-	(2)
11130	Maximum Annual Contributions Commitment (per ACC)	8,293,795	69,024	-	74,341	129,623	99,104	79,603
11140	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-	-
11150	Contingency Reserve, ACC Program Reserve	7,298,414	114,904	-	39,564	38,318	82,668	21,972
11160	**Total Annual Contributions Available**	**15,592,209**	**183,928**	**-**	**113,905**	**167,941**	**181,772**	**101,575**
11190/11200	Unit Months Available	30,563	292	-	156	204	300	132
11210	Number of Unit Months Leased	30,563	198	-	109	176	212	122

NORTH DAKOTA HOUSING FINANCE AGENCY
ADJUSTED NET WORTH CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

A. Adjusted net worth calculation

Stockholder's equity per statement of financial condition at end of reporting period		$ 256,450
Less:		
Itemized unacceptable assets		
1. Due from state agencies	$ (331)	
2.	$ -	
3.	$ -	
Total unacceptable assets		$ (331)
Adjusted net worth		$ 256,119

B. Required net worth calculation

Unpaid principal balance of securities outstanding (Note: number of pools = 40)	$ 143,375
Plus:	
Outstanding balance of commitment authority issued and requested	$ -
Total outstanding portfolio and authority	$ 143,375
Required net worth	$ 3,002

C. Excess (deficit) net worth

(Adjusted net worth - required net worth)	$ 253,117

NORTH DAKOTA HOUSING FINANCE AGENCY
INSURANCE COVERAGE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2024
(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	$ 143,375
	Conventional (other)	1,818,413
	Total servicing portfolio	$ 1,961,788
	Required fidelity bond coverage	2,487
	Required mortgage servicing errors and omissions coverage	2,487
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	3,625
D.	Excess (deficit) insurance coverage	
	Fidelity bond coverage	13
	Required servicing errors and omissions coverage	1,138
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, 2024
(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	$ 256,119	
Total assets	$ 2,255,841	
		Meets
Total adjusted net worth / total assets	11.35%	Yes

NORTH DAKOTA HOUSING FINANCE AGENCY
LIQUID ASSET REQUIREMENT CALCULATION
FOR THE YEAR ENDED JUNE 30, 2024
(In Thousands)

A. Liquid asset calculation

Required net worth (from adjusted net worth calculation, page 69)		$ 3,002
Acceptable liquid assets		
1. Cash and cash equivalents	$ 16,135	
Total liquid assets		$ 16,135

B. Required liquid asset

		Meets Requirement?
Excess (deficit) liquid (Total liquid assets / required net worth)	537%	Yes

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

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			
Previous year balance of loans on which there are continuing compliance requirements	14.117		$ 757,701,751
FHA loan principal disbursed during the fiscal year			144,355,370
Total			902,057,121
Ginnie Mae - Mortgage Insurance - Homes			
Previous year balance of loans on which there are continuing compliance requirements	14.UNK		134,388,644
Rent Supplements - Rental Housing for Lower Income Families	14.149		13,964,363
Housing Counseling Assistance Program	14.169	$ 41,269	41,269
Housing Trust Fund	14.275		1,743,763
Community Planning and Development Division			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation/Section 8 Project-Based Cluster	14.856		411,307
Community Development Block Grants	14.228		5,085
Emergency Solutions Grants Program	14.231	458,192	494,679
Continuum of Care - Planning	14.267		61,413
HOME Investment Partnership Program	14.239	9,605	3,764,316
HOME ARP	14.239		1,390,933
Total Department of Housing and Urban Development		509,066	1,058,322,893
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		85,743,410
VA loan principal disbursed during the fiscal year	64.114		39,225,679
Total			124,969,089
Ginnie Mae - Veterans Housing Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.UNK		10,921,461
Total Department of Veteran Affairs			135,890,550
TOTAL		$ 509,066	$1,194,213,443

Total AL #14.239 = $5,155,249

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, 2024. 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, 2024.

		2024
Mortgage Insurance - Homes	14.117	839,496,529
Ginnie Mae -Mortgage Insurance - Homes	14.UNK	118,299,900
Veterans Housing - Guaranteed and Insured Loans	64.114	115,510,185
GinnieMae - Veterans Housing Guaranteed and Insured Loans	64.UNK	9,709,369
		$ 1,083,015,983

BradyMartz

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the year ended June 30, 2024, 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 16, 2024.

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 16, 2024

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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, 2024. 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	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.
Housing Trust Fund AL 14.275	Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Eligibility, Matching, Levels of Effort, Earmarking, Program Income, Special Tests and Provisions – Maximum Per-Unit Subsidy and Underwriting and Subsidy Layering Requirements, Special Tests and Provisions – Drawdowns of HTF Funds

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 16, 2024

NORTH DAKOTA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

<u>Financial Statements</u>

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

<u>Federal Awards</u>

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
14.UNK / 64.UNK	Ginnie Mae – Mortgage Insurance – Homes
	Ginnie Mae - Veterans Housing Guaranteed and Insured Loans
14.275	Housing Trust Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$983,958			
Auditee qualified as a low-risk auditee?	x	yes	_____	no

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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

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**SUMMARY OF NORTH DAKOTA
HOUSING FINANCE AGENCY AUDIT
FOR FISCAL YEAR ENDED JUNE 30, 2024
PREPARED BY BRADY, MARTZ & ASSOCIATES, P.C.
October 16, 2024**

Purpose of the audit: To determine the financial statements are free from material misstatement.

Type of Opinion: Unmodified

Summary of findings/recommendations: No findings/recommendations

Explanations of significant audit adjustments and corrected or uncorrected misstatements:

1. The following material misstatements were identified as a result of the audit procedures performed, which were corrected by management:
    a. None

2. The following uncorrected misstatements were identified as a result of the audit procedures performed, which were determined by management to be immaterial both individually and in the aggregate:
    a. None

Disagreements with management or difficulties encountered in performing the audit: None

Other items to highlight in the report: None

Cost of the audit:
Current audit $55,375
Prior audit $53,710

October 16, 2024

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, 2024. 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 19, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 2024. 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 16, 2024.

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

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