

**NORTH DAKOTA HOUSING FINANCE AGENCY  
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025 AND 2024

## Table of Contents

|  |    |
|--|----|
| <b>INDEPENDENT AUDITOR'S REPORT</b>  | 1  |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 5  |
| <b>FINANCIAL STATEMENTS</b>  |    |
| Statements of Net Position   | 11 |
| Statements of Revenues, Expenses and Changes in Net Position   | 13 |
| Statements of Cash Flows   | 14 |
| Statement of Appropriations  | 16 |
| Notes to the Financial Statements  | 17 |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |    |
| Schedules of Employer's Share of Net Pension Liability   | 58 |
| Schedules of Employer Contributions - Pension  | 58 |
| Schedule of Employer's Share of Net OPEB Liability   | 59 |
| Schedule of Employer Contributions – OPEB  | 59 |
| Notes the Required Supplementary Information   | 60 |
| <b>SUPPLEMENTARY INFORMATION</b>   |    |
| Combining Statements of Net Position   | 61 |
| Combining Statements of Revenues, Expenses and Changes in Fund Net Position  | 63 |
| Combining Statements of Cash Flows   | 64 |
| Housing and Urban Development - Section 8 Financial Data Schedule  | 67 |
| Adjusted Net Worth Calculation   | 69 |
| Insurance Coverage Schedule  | 70 |
| Capital Requirement Calculation  | 71 |
| Liquid Asset Requirement Calculation   | 72 |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED<br/>IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b> | 73 |
| Summary of North Dakota Housing Finance Agency Audit   | 75 |
| Independent Auditor's Communication to Governor and Legislative Assembly   | 76 |

## INDEPENDENT AUDITOR'S REPORT

Governor Kelly Armstrong  
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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Basis for Opinion*

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

## ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion 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 61-72 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. 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, and Liquid Asset Requirement Calculation, 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 November 24, 2025, 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**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

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, 2025 and 2024. 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 FY2025, mortgage loans receivable increased \$331,760 to \$2,224,268. This included \$488,717 of new loans purchased, \$165,905 of repaid principal on mortgage loans and an increase in loan premiums of \$8,951 and decrease in mortgage loan loss reserve of \$3.

In FY2024, mortgage loans receivable increased \$316,385 to \$1,892,508. This included \$436,910 of new loans purchased, \$703 of Loans sold to BND, \$126,899 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 FY2025, bonds payable increased \$525,526 from the FY2024 bonds payable to \$2,463,794. This included the issuance of \$655,000 new mortgage revenue bonds, \$135,665 bonds being called or maturing and a net decrease in bond premiums of \$6,191. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt

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.

The Agency did not draw on either the BND or Federal Home Loan Bank lines of credit in FY2025 and FY2024, however both lines remained available to the Agency. The beginning and ending balances in FY2025 and FY2024 were \$0 for both FHLB and BND.

The Agency's FY2025 net position increased \$24,355 to \$280,805 as a result of the year's program operations and financing activities.

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

FY2025 Income Before Transfers of \$24,455 was higher than FY2024 by \$109 as a result of increases in investment income due to the rising interest rate environment during the past fiscal year offset by increases in interest expense and administrative costs. Additionally, non-federal grants decreased \$3,500 due to a one time grant that was received in FY2024.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

Operating revenues in FY2025 of \$114,908 were up \$25,457 as a result of higher mortgage and investment income than in the prior year. The Agency continues to fund mortgage loans at a fast pace given the rise in mortgage rates and the rates on mortgage revenue bonds over the last year continuing to be competitive in the mortgage market. Overall this has not had a large effect on the funding of mortgage loans, however the Agency has seen a decrease in loan payoffs due to this increase in mortgage rating making refinances less favorable.

Operating revenues in FY2024 of \$89,451 were up \$24,080 as a result of higher mortgage and investment income than in the prior year along with an increase in fee income. This was partially offset by a small loss on the sale of investments. 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 expenses for FY2025 of \$92,412 were up \$21,909 from the FY2024 Operating expenses as a result of higher bond interest expense and administrative expenses.

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.



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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, 2025, 2024 and 2023**  
(In Thousands)

|                                       | 2025               | 2024               | 2023               | Change            | Percentage    |
|---------------------------------------|--------------------|--------------------|--------------------|-------------------|---------------|
| <b>ASSETS</b>                         |                    |                    |                    |                   |               |
| Unrestricted current assets           | \$ 22,846          | \$ 19,928          | \$ 15,824          | \$ 2,918          | 15 %          |
| Restricted current assets             | 559,668            | 321,596            | 259,589            | 238,072           | 74            |
| Total current assets                  | <u>582,514</u>     | <u>341,524</u>     | <u>275,413</u>     | <u>240,990</u>    | <u>71</u>     |
| Unrestricted noncurrent assets        | 9,622              | 8,792              | 7,915              | 830               | 9             |
| Restricted noncurrent assets          | 2,226,816          | 1,905,525          | 1,600,851          | 321,291           | 17            |
| Total noncurrent assets               | <u>2,236,438</u>   | <u>1,914,317</u>   | <u>1,608,766</u>   | <u>322,121</u>    | <u>17</u>     |
| Total assets                          | <u>\$2,818,952</u> | <u>\$2,255,841</u> | <u>\$1,884,179</u> | <u>\$563,111</u>  | <u>25 %</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b> |                    |                    |                    |                   |               |
| Total deferred outflows of resources  | <u>\$ 2,053</u>    | <u>\$ 3,829</u>    | <u>\$ 5,732</u>    | <u>\$ (1,776)</u> | <u>(46) %</u> |
| <b>LIABILITIES</b>                    |                    |                    |                    |                   |               |
| Current liabilities                   | \$ 142,425         | \$ 121,509         | \$ 106,464         | \$ 20,916         | 17 %          |
| Noncurrent liabilities                | 2,379,175          | 1,857,055          | 1,532,278          | 522,120           | 28            |
| Total liabilities                     | <u>\$2,521,600</u> | <u>\$1,978,564</u> | <u>\$1,638,742</u> | <u>\$543,036</u>  | <u>27 %</u>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                    |                    |                    |                   |               |
| Total deferred inflows of resources   | <u>\$ 18,600</u>   | <u>\$ 24,656</u>   | <u>\$ 18,965</u>   | <u>\$ (6,056)</u> | <u>(25) %</u> |
| <b>NET POSITION</b>                   |                    |                    |                    |                   |               |
| Net investment in capital assets      | \$ 75              | \$ 92              | \$ 112             | \$ (17)           | (18) %        |
| Restricted for debt service           | 255,575            | 235,456            | 217,892            | 20,119            | 9             |
| Unrestricted                          | 25,155             | 20,902             | 14,200             | 4,253             | 20            |
| Total net position                    | <u>\$ 280,805</u>  | <u>\$ 256,450</u>  | <u>\$ 232,204</u>  | <u>\$ 24,355</u>  | <u>9 %</u>    |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2025, 2024, and 2023**  
(In Thousands)

|  | 2025       | 2024       | 2023       | Change    | Percentage |
|--|------------|------------|------------|-----------|------------|
| <b>OPERATING REVENUES</b>                    |            |            |            |           |            |
| Mortgage interest income                     | \$ 83,643  | \$ 63,706  | \$ 49,722  | \$ 19,937 | 31 %       |
| Investment income                            | 26,105     | 21,152     | 10,977     | 4,953     | 23         |
| Gain (loss) on sale of investment            | -          | (9)        | (176)      | 9         | (100)      |
| Fee income                                   | 5,160      | 4,602      | 4,848      | 558       | 12         |
| Total revenues                               | 114,908    | 89,451     | 65,371     | 25,457    | 28 %       |
| <b>OPERATING EXPENSES</b>                    |            |            |            |           |            |
| Interest expense                             | 74,356     | 54,623     | 39,393     | 19,733    | 36 %       |
| Agency grants                                | 1,657      | 1,413      | 80         | 244       | 17         |
| Administrative and operating expenses        | 15,779     | 13,662     | 11,381     | 2,117     | 15         |
| Pension expense                              | 332        | 512        | 1,092      | (180)     | (35)       |
| OPEB expense                                 | 35         | 47         | 49         | (12)      | (26)       |
| Amortization                                 | 220        | 213        | 207        | 7         | 3          |
| Depreciation                                 | 33         | 33         | 32         | -         | -          |
| Total expenses                               | 92,412     | 70,503     | 52,234     | 21,909    | 31 %       |
| <b>OPERATING INCOME</b>                      | 22,496     | 18,948     | 13,137     | 3,548     | 19 %       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>      |            |            |            |           |            |
| Federal grants                               | 29,711     | 20,648     | 22,117     | 9,063     | 44 %       |
| Non-federal grants                           | 1,469      | 5,060      | 113        | (3,591)   | (71)       |
| Investment income (loss)                     | 490        | 338        | 43         | 152       | 45         |
| Federal grants                               | (29,711)   | (20,648)   | (22,117)   | (9,063)   | 44         |
|  | 1,959      | 5,398      | 156        | (3,439)   | (64) %     |
| <b>INCOME BEFORE TRANSFERS</b>               | 24,455     | 24,346     | 13,293     | 109       | 1 %        |
| <b>TRANSFERS</b>                             |            |            |            |           |            |
| Transfers to Industrial Commission           | (100)      | (100)      | (8)        | -         | -          |
| <b>CHANGE IN NET POSITION</b>                | 24,355     | 24,246     | 13,285     | 109       | 1 %        |
| <b>TOTAL NET POSITION, BEGINNING OF YEAR</b> | 256,450    | 232,204    | 218,919    | 24,246    | 10 %       |
| <b>TOTAL NET POSITION, END OF YEAR</b>       | \$ 280,805 | \$ 256,450 | \$ 232,204 | \$ 24,355 | 9 %        |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

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.

FY2025 Operating investment interest income of \$26,105 was up \$4,953 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.

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.

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 FY2025 Non-Operating Interest Income was \$490 compared to \$338 in FY2024. 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

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

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, 2025 AND 2024**  
(In Thousands)

|  | 2025             | 2024             |
|--|------------------|------------------|
| <b>ASSETS</b>  |                  |                  |
| <b>CURRENT ASSETS - UNRESTRICTED</b>                   |                  |                  |
| Cash and cash equivalents                              | \$ 19,731        | \$ 16,135        |
| Due from State Agencies                                | 294              | 331              |
| Receivables  |                  |                  |
| Interest   |                  |                  |
| Loans  | 1                | 1                |
| Investments  | 29               | 31               |
| Due from HUD   | 375              | 438              |
| Other  | 838              | 1,616            |
| Current portion of service release premium             | 1,468            | 1,272            |
| Prepaid expenses                                       | 110              | 104              |
| Total unrestricted current assets                      | <u>22,846</u>    | <u>19,928</u>    |
| <b>CURRENT ASSETS - RESTRICTED</b>                     |                  |                  |
| Cash and cash equivalents                              | 501,559          | 271,866          |
| Receivables  |                  |                  |
| Current portion of loans receivable, net of allowance  | 46,605           | 40,820           |
| Interest   |                  |                  |
| Loans  | 8,988            | 6,827            |
| Investments  | 2,369            | 2,083            |
| Other  | 147              | -                |
| Total restricted current assets                        | <u>559,668</u>   | <u>321,596</u>   |
| Total current assets                                   | <u>582,514</u>   | <u>341,524</u>   |
| <b>NONCURRENT ASSETS - UNRESTRICTED</b>                |                  |                  |
| Service release premium, net                           | 9,547            | 8,476            |
| Equipment, net   | 75               | 96               |
| Lease assets, net                                      | -                | 220              |
| Total unrestricted noncurrent assets                   | <u>9,622</u>     | <u>8,792</u>     |
| <b>NONCURRENT ASSETS - RESTRICTED</b>                  |                  |                  |
| Loans receivable, net of current portion and allowance | 2,177,663        | 1,851,688        |
| Investments  | 49,153           | 53,837           |
| Total restricted noncurrent assets                     | <u>2,226,816</u> | <u>1,905,525</u> |
| Total noncurrent assets                                | <u>2,236,438</u> | <u>1,914,317</u> |
| Total assets   | <u>2,818,952</u> | <u>2,255,841</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                  |                  |
| Deferred outflow - pension                             | 1,981            | 3,713            |
| Deferred outflow - OPEB                                | 72               | 116              |
| Total deferred outflows of resources                   | <u>2,053</u>     | <u>3,829</u>     |

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|   | 2025       | 2024       |
|---|------------|------------|
| <b>LIABILITIES</b>                                |            |            |
| <b>CURRENT LIABILITIES</b>                        |            |            |
| Due to HUD  | \$ 23      | \$ 13      |
| Due to state agencies                             | 571        | 519        |
| Other   | 726        | 2,017      |
| Current portion of compensated absences           | 121        | 380        |
| Current portion of bonds payable, net of premium  | 73,800     | 65,667     |
| Accrued interest                                  | 43,296     | 32,765     |
| Funds held in trust                               | 23,888     | 20,148     |
|   | <hr/>      | <hr/>      |
| Total current liabilities                         | 142,425    | 121,509    |
|   | <hr/>      | <hr/>      |
| <b>NONCURRENT LIABILITIES</b>                     |            |            |
| Rebate due to IRS                                 | 84         | -          |
| Net pension liability                             | 4,848      | 4,972      |
| Net OPEB liability                                | 204        | 244        |
| Financial derivative instrument                   | (16,316)   | (20,762)   |
| Compensated absences, net of current portion      | 361        | -          |
| Bonds payable, net of current portion and premium | 2,389,994  | 1,872,601  |
|   | <hr/>      | <hr/>      |
| Total noncurrent liabilities                      | 2,379,175  | 1,857,055  |
|   | <hr/>      | <hr/>      |
| Total liabilities                                 | 2,521,600  | 1,978,564  |
|   | <hr/>      | <hr/>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |            |            |
| Deferred inflow - pension                         | 2,254      | 3,864      |
| Deferred inflow - OPEB                            | 30         | 30         |
| Financial derivative instrument                   | 16,316     | 20,762     |
|   | <hr/>      | <hr/>      |
| Total deferred inflows of resources               | 18,600     | 24,656     |
|   | <hr/>      | <hr/>      |
| <b>NET POSITION</b>                               |            |            |
| Net investment in capital assets                  | 75         | 92         |
| Restricted for debt service                       | 255,575    | 235,456    |
| Unrestricted                                      | 25,155     | 20,902     |
|   | <hr/>      | <hr/>      |
| Total net position                                | \$ 280,805 | \$ 256,450 |
|   | <hr/>      | <hr/>      |

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, 2025 AND 2024**  
(In Thousands)

|  | 2025              | 2024              |
|--|-------------------|-------------------|
| OPERATING REVENUES                     |                   |                   |
| Mortgage interest income               | \$ 83,643         | \$ 63,706         |
| Investment income                      | 26,105            | 21,152            |
| Gain (loss) on sale of investments     | -                 | (9)               |
| Fee income                             | 5,160             | 4,602             |
| Total revenues                         | <u>114,908</u>    | <u>89,451</u>     |
| OPERATING EXPENSES                     |                   |                   |
| Interest expense                       | 74,356            | 54,623            |
| Agency grants                          | 1,657             | 1,413             |
| Administrative and operating expenses  | 15,779            | 13,662            |
| Pension expense                        | 332               | 512               |
| OPEB expense                           | 35                | 47                |
| Amortization                           | 220               | 213               |
| Depreciation                           | 33                | 33                |
| Total expenses                         | <u>92,412</u>     | <u>70,503</u>     |
| OPERATING INCOME                       | <u>22,496</u>     | <u>18,948</u>     |
| NONOPERATING REVENUES (EXPENSES)       |                   |                   |
| Federal grants                         | 29,711            | 20,648            |
| Non-federal grants                     | 1,469             | 5,060             |
| Investment income (loss)               | 490               | 338               |
| Federal grants                         | (29,711)          | (20,648)          |
| Total nonoperating revenues (expenses) | <u>1,959</u>      | <u>5,398</u>      |
| INCOME BEFORE TRANSFERS                | <u>24,455</u>     | <u>24,346</u>     |
| TRANSFERS                              |                   |                   |
| Transfer to Industrial Commission      | <u>(100)</u>      | <u>(100)</u>      |
| CHANGE IN NET POSITION                 | 24,355            | 24,246            |
| TOTAL NET POSITION, BEGINNING OF YEAR  | <u>256,450</u>    | <u>232,204</u>    |
| TOTAL NET POSITION, END OF YEAR        | <u>\$ 280,805</u> | <u>\$ 256,450</u> |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|   | 2025              | 2024              |
|---|-------------------|-------------------|
| <b>OPERATING ACTIVITIES</b>                                 |                   |                   |
| Receipts from customers                                     | \$ 452,358        | \$ 320,618        |
| Proceeds from sale of loans receivable                      | 145               | 703               |
| Interfund mortgages loan purchases and sales                | (461,668)         | (279,531)         |
| Payment of grants   | (1,583)           | (1,023)           |
| Payments to service providers                               |                   |                   |
| State agencies  | (6,245)           | (6,146)           |
| Mortgage loan purchases                                     | (208,683)         | (270,105)         |
| Other   | (12,635)          | (11,000)          |
| Payments to employees                                       | (5,851)           | (5,378)           |
| Net cash provided (used) by operating activities            | <u>(244,162)</u>  | <u>(251,862)</u>  |
| <b>NONCAPITAL FINANCING ACTIVITIES</b>                      |                   |                   |
| Principal payments on bonds payable                         | (135,665)         | (126,840)         |
| Proceeds from bond issuance                                 | 669,204           | 472,107           |
| Interest paid on loans and bonds                            | (63,819)          | (45,897)          |
| Proceeds from federal grants                                | 29,711            | 20,648            |
| Proceeds from non-federal grants                            | 1,469             | 5,060             |
| Payment of federal grants                                   | (29,711)          | (20,648)          |
| Transfers to Industrial Commission                          | (100)             | (100)             |
| Net cash provided (used) by noncapital financing activities | <u>471,089</u>    | <u>304,330</u>    |
| <b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>             |                   |                   |
| Purchase of equipment                                       | (12)              | (8)               |
| Principal payments on lease payable                         | (224)             | (218)             |
| Interest paid on lease payable                              | (4)               | (9)               |
| Net cash used for capital and related financing activities  | <u>(240)</u>      | <u>(235)</u>      |
| <b>INVESTING ACTIVITIES</b>                                 |                   |                   |
| Purchase of investments                                     | (496)             | -                 |
| Proceeds from sale of investments                           | 6,683             | 5,843             |
| Interest received from investments                          | 415               | 470               |
| Net cash provided (used) by for investing activities        | <u>6,602</u>      | <u>6,313</u>      |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>              | 233,289           | 58,546            |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       | 288,001           | 229,455           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             | <u>\$ 521,290</u> | <u>\$ 288,001</u> |
| <b>CASH AND CASH EQUIVALENTS - UNRESTRICTED</b>             | \$ 19,731         | \$ 16,135         |
| <b>CASH AND CASH EQUIVALENTS - RESTRICTED</b>               | 501,559           | 271,866           |
|   | <u>\$ 521,290</u> | <u>\$ 288,001</u> |

See Notes to the Financial Statements



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | <u>2025</u>         | <u>2024</u>         |
|--|---------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET  |                     |                     |
| CASH USED BY OPERATING ACTIVITIES  |                     |                     |
| Operating income   | \$ 22,496           | \$ 18,948           |
| Adjustments to reconcile operating income to net cash from operating activities: |                     |                     |
| Depreciation   | 33                  | 33                  |
| Amortization   |                     |                     |
| Original issue discounts and premiums  | (8,013)             | (7,375)             |
| Service release premium  | 2,062               | 1,658               |
| Leased asset   | 220                 | 213                 |
| Fair value (increases) decreases of investments                                  | (1,428)             | 694                 |
| Reclassification of interest income/expense to other activities                  | 74,069              | 53,939              |
| Effect on cash flows due to changes in:  |                     |                     |
| Deferred outflow - pension   | 1,732               | 1,853               |
| Deferred outflow - OPEB  | 44                  | 50                  |
| Deferred inflows - pension   | (1,610)             | 848                 |
| Deferred inflows - OPEB  | -                   | 17                  |
| Effect on cash flows due to changes in:  |                     |                     |
| Due from HUD   | 63                  | 406                 |
| Due from State Agencies  | 37                  | (331)               |
| Other receivables  | 631                 | 6                   |
| Service release premium  | (3,329)             | (2,959)             |
| Prepaid expenses   | (5)                 | (5)                 |
| Loan interest receivable   | (2,161)             | (1,730)             |
| Loans receivable   | (331,760)           | (316,383)           |
| Due to HUD   | 10                  | (17)                |
| Due to State Agencies  | 52                  | 86                  |
| Rebate due to IRS  | 84                  | -                   |
| Other liabilities  | (1,067)             | (606)               |
| Compensated absences   | 102                 | 4                   |
| Funds held in trust  | 3,740               | 1,324               |
| Net pension liability  | (164)               | (2,535)             |
|  | <u>\$ (244,162)</u> | <u>\$ (251,862)</u> |
| Net cash used by operating activities  |                     |                     |
|  | <u>\$ (244,162)</u> | <u>\$ (251,862)</u> |
| Non-cash disclosures:  |                     |                     |
| Increase (decrease) in fair value of investments                                 | \$ 1,504            | \$ (775)            |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENT OF APPROPRIATIONS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2025**  
(In Thousands)

The Agency's total appropriations of \$77,956 consist of funding of \$2,500 from general funds, \$53,598 from federal funds and \$21,858 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of HB 1014. As of June 30, 2025, the Agency has disbursed \$2,500 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<br>Appropriations<br>Original | 2023-2025<br>Appropriations<br>As Adjusted | 2023-2025<br>Expenditures | Unexpended<br>Appropriations |
|------------------------------|---|--|---------------------------|------------------------------|
| Administrative Expenses:     |   |  |                           |                              |
| Salaries, wages and benefits | \$ 11,113                               | \$ 12,627                                  | \$ 11,821                 | \$ 806                       |
| Operating expenses           | 10,904                                  | 10,904                                     | 8,279                     | 2,625                        |
| Capital assets               | 20                                      | 20   | 19                        | 1                            |
| Grants, benefits and claims  | 48,805                                  | 54,305                                     | 53,429                    | 876                          |
| Contingency                  | 100                                     | 100  | -                         | 100                          |
| Total                        | <u>\$ 70,942</u>                        | <u>\$ 77,956</u>                           | <u>\$ 73,548</u>          | <u>\$ 4,408</u>              |

|   | 2025             | 2024             |
|---|------------------|------------------|
| Total expenditures  | \$ 42,375        | \$ 31,173        |
| Less: Grants, benefits and claims                               | (31,368)         | (22,061)         |
| Administrative and operating expenses relating to               |                  |                  |
| Rental, Homeownership Bonds and Agency expenses                 | 2,725            | 2,909            |
| Amortization of service release premium                         | 2,062            | 1,658            |
| Depreciation  | 33               | 33               |
| Interest expense on leased asset                                | (4)              | (9)              |
| Capital assets  | (11)             | (8)              |
| Total administrative and operation expenses<br>and depreciation | <u>\$ 15,812</u> | <u>\$ 13,695</u> |

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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.

**Significant Group Concentrations of Credit Risk**

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

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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.

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

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.

**Compensated Absences**

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.

The Agency accounts for compensated absences using a days-used approach for annual leave. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

The Agency accounts for compensated absences using a LIFO approach for sick leave. This approach consists of estimating how much leave is to be used in future periods and how much leave is expected to be earned in future periods. Under the LIFO method, the estimated leave to be earned in future periods will offset the estimated leave to be used as time off in future periods. A liability will be calculated for situations where the estimated leave to be earned in future periods does not exceed the estimated leave to be taken as time off in future periods. Salary-related employer payments are included in the calculation of the compensated absence liability.

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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.



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

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.

#### Securities

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



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

Interest Rate Swap Agreements

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

**Change in Accounting Principles**

The Agency implemented GASB Statement No. 101, *Compensated Absences* in the year ended June 30, 2025. GASB Statement No. 101 enhances the accounting and financial reporting requirements for accounting for compensated absences. The adoption of GASB 101 resulted in no adjustment to beginning net position.

**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, 2025 and 2024 was \$44,959 and \$37,548, 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, 2025 and 2024 was \$43,607 and \$36,268, respectively.

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2025 and 2024 is as follows:

|  | 2025              | 2024              |
|--|-------------------|-------------------|
| Unrestricted   |                   |                   |
| Cash and cash equivalents  |                   |                   |
| Deposits at Bank of North Dakota                                 | \$ 19,727         | \$ 16,129         |
| Deposits at Federal Home Loan Bank                               | 4                 | 6                 |
| Total cash and cash equivalents                                  | <u>\$ 19,731</u>  | <u>\$ 16,135</u>  |
| Restricted   |                   |                   |
| Cash and cash equivalents  |                   |                   |
| Deposits at Bank of North Dakota                                 | \$ 23,945         | \$ 20,139         |
| Deposits at Federal Home Loan Bank                               | 8                 | 11                |
| Deposits at Wilmington Trust                                     | 2,654             | 2,739             |
| Cash and cash equivalents held in trust                          | 466,988           | 241,159           |
| Fixed rate investment agreements<br>reported as cash equivalents | <u>7,964</u>      | <u>7,818</u>      |
| Total cash and cash equivalents                                  | <u>\$ 501,559</u> | <u>\$ 271,866</u> |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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, 2025:

|                       | <u>Total Market<br/>Value</u> | <u>Less than<br/>1 Year</u> | <u>1 - 5<br/>Years</u> | <u>5 - 10<br/>Years</u> | <u>More Than<br/>10 Years</u> |
|-----------------------|-------------------------------|-----------------------------|------------------------|-------------------------|-------------------------------|
| Total Debt Securities | <u>\$ 49,153</u>              | <u>\$ -</u>                 | <u>\$ -</u>            | <u>\$ -</u>             | <u>\$ 49,153</u>              |

The following shows the investments by investment type, amount and the duration at June 30, 2024:

|                       | <u>Total Market<br/>Value</u> | <u>Less than<br/>1 Year</u> | <u>1 - 5<br/>Years</u> | <u>5 - 10<br/>Years</u> | <u>More Than<br/>10 Years</u> |
|-----------------------|-------------------------------|-----------------------------|------------------------|-------------------------|-------------------------------|
| Total Debt Securities | <u>\$ 53,837</u>              | <u>\$ -</u>                 | <u>\$ -</u>            | <u>\$ -</u>             | <u>\$ 53,837</u>              |

**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, 2025, the Agency owned \$6,397 and the 1994 General Resolution Bond Issues owned \$42,756 of the \$49,153 Mortgage Backed Securities. The \$42,756 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately \$7,256, (all of which are MBS owned by the Agency), at June 30, 2025 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, 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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, 2025.

|                            | Total            | Quoted<br>Prices in<br>Active<br>Markets<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|----------------------------|------------------|---|---|--|
| <b>ASSETS</b>              |                  |   |   |  |
| Mortgage-backed securities |                  |   |   |  |
| Agency                     | \$ 49,153        | \$ -  | \$ 49,153   | \$ -   |
| Total                      | <u>\$ 49,153</u> | <u>\$ -</u>   | <u>\$ 49,153</u>  | <u>\$ -</u>                                      |
| Interest rate swap         | <u>\$ 16,316</u> | <u>\$ -</u>   | <u>\$ 16,316</u>  | <u>\$ -</u>                                      |

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<br>Prices in<br>Active<br>Markets<br>Level 1 | Significant<br>Other<br>Observable<br>Inputs<br>Level 2 | Significant<br>Unobservable<br>Inputs<br>Level 3 |
|----------------------------|------------------|---|---|--|
| <b>ASSETS</b>              |                  |   |   |  |
| Mortgage-backed securities |                  |   |   |  |
| Agency                     | \$ 53,837        | \$ -  | \$ 53,837   | \$ -   |
| Total                      | <u>\$ 53,837</u> | <u>\$ -</u>   | <u>\$ 53,837</u>  | <u>\$ -</u>                                      |
| Interest rate swap         | <u>\$ 20,762</u> | <u>\$ -</u>   | <u>\$ 20,762</u>  | <u>\$ -</u>                                      |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**NOTE 5    LOANS RECEIVABLE**

Loans receivable at June 30, 2025 and 2024 consist of the following:

|   | <u>2025</u>                | <u>2024</u>                |
|---|----------------------------|----------------------------|
| Restricted:                                   |                            |                            |
| Agency operating funds                        | \$       206               | \$       231               |
| Less: current portion                         | <u>          25</u>        | <u>          27</u>        |
| Total loan receivable, net of current portion | <u><u>\$       181</u></u> | <u><u>\$       204</u></u> |
| Restricted:                                   |                            |                            |
| Homeownership bond funds                      | \$ 2,224,062               | \$ 1,892,277               |
| Less: current portion                         | <u>         46,580</u>     | <u>         40,793</u>     |
| Total loan receivable, net of current portion | <u><u>\$ 2,177,482</u></u> | <u><u>\$ 1,851,484</u></u> |

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, 2025 and 2024 with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling \$812 which have been foreclosed on and are owned by the Agency (REO), \$87 in real estate loans in judgment (REJ), and 54 loans totaling \$8,263 that were in the foreclosure process at June 30, 2025. At June 30, 2024, Homeownership and Agency mortgage loans included loans totaling \$644 which have been foreclosed on and are owned by the Agency (REO), \$252 in real estate loans in judgement (REJ), and 53 loans totaling \$8,177 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, 2025, the Agency has \$3,000 of HOME ARP loans and \$23,354 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance. 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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:

|              | <u>2025</u>   | <u>2024</u>   |
|--------------|---------------|---------------|
| Due from HUD | <u>\$ 375</u> | <u>\$ 438</u> |
| Due to HUD   | <u>\$ 23</u>  | <u>\$ 13</u>  |

**NOTE 7 EQUIPMENT**

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

|                       | <u>Equipment</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net<br/>Equipment</u> |
|-----------------------|------------------|-------------------------------------|--------------------------|
| Balance July 1, 2023  | \$ 362           | \$ 241                              | <u>\$ 121</u>            |
| Additions             | 8                | 33                                  |                          |
| Deletions             | <u>(6)</u>       | <u>(6)</u>                          |                          |
| Balance July 1, 2024  | \$ 364           | \$ 268                              | <u>\$ 96</u>             |
| Additions             | 12               | 33                                  |                          |
| Deletions             | <u>-</u>         | <u>-</u>                            |                          |
| Balance June 30, 2025 | <u>\$ 376</u>    | <u>\$ 301</u>                       | <u>\$ 75</u>             |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**NOTE 8 OTHER RECEIVABLES**

A detail of other receivables as of June 30, 2025 and 2024 is as follows:

|                            | 2025          | 2024            |
|----------------------------|---------------|-----------------|
| Unrestricted:              |               |                 |
| Receivable from developers | \$ 517        | \$ 663          |
| Accounts receivable        | 321           | 953             |
|                            | <u>\$ 838</u> | <u>\$ 1,616</u> |
| Restricted:                |               |                 |
| Accounts receivable        | <u>\$ 147</u> | <u>\$ -</u>     |

**NOTE 9 OTHER LIABILITIES**

A detail of other liabilities as of June 30, 2025 and 2024 is as follows:

|                  | 2025          | 2024            |
|------------------|---------------|-----------------|
| Remarketing fees | \$ 43         | \$ 39           |
| Commitment fees  | 104           | 87              |
| Lease payable    | -             | 224             |
| Accounts payable | 579           | 1,667           |
|                  | <u>\$ 726</u> | <u>\$ 2,017</u> |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**NOTE 10 RELATED PARTY TRANSACTIONS**

The Agency had the following transactions with related parties as of June 30, 2025 and 2024:

|  | 2025      | 2024      |
|--|-----------|-----------|
| Cash and cash equivalents - unrestricted |           |           |
| Bank of North Dakota                     | \$ 19,727 | \$ 16,129 |
| Cash and cash equivalents - restricted   |           |           |
| Bank of North Dakota                     | \$ 23,945 | \$ 20,139 |
| Due from state agencies                  |           |           |
| Housing Incentive Fund                   | \$ -      | \$ 77     |
| Department of Health and Human Services  | 7         | -         |
| Office of Management and Budget          | 287       | 254       |
|  | \$ 294    | \$ 331    |
| Due to state agencies                    |           |           |
| Information Technology Department        | \$ 12     | \$ 10     |
| Attorney General                         | 1         | 4         |
| Department of Transportation             | 1         | 1         |
| Office of Management and Budget          | 557       | 504       |
|  | \$ 571    | \$ 519    |
| Transfers out                            |           |           |
| Industrial Commission                    | \$ 100    | \$ 100    |
| Administrative and operating expenses    |           |           |
| Information Technology Department        |           |           |
| Telephone and data processing            | \$ 23     | \$ 23     |
| Data processing                          | 105       | 104       |
| Attorney General                         |           |           |
| Legal fees                               | 14        | 18        |
| Office of Management and Budget          |           |           |
| Supplies and conferences                 | 2         | 2         |
| Printing                                 | 32        | 27        |
| Indirect cost allocation                 | 28        | 15        |
| Payroll and benefits                     | 6,109     | 5,698     |
| Department of Transportation             |           |           |
| State fleet rental                       | 9         | 6         |
| Department of Insurance                  |           |           |
| State fire and tornado fund premium      | 1         | 1         |
| Human Resource Management Services       |           |           |
| Training sessions                        | 1         | 1         |
| ND Suplus Property                       |           |           |
| Laptops                                  | 2         | 2         |
| Risk Management                          |           |           |
| RM fund contribution                     | 2         | 2         |
| WC premiums                              | 4         | 2         |
|  | \$ 6,332  | \$ 5,901  |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**NOTE 11 LEASES**

The Agency leases office space in Bismarck, North Dakota. The term of the lease is for a period of 24 months, commencing on July 1, 2023 and terminating June 30, 2025. The annual rent under this is \$227. The Agency entered into a new lease commencing on July 1, 2025 and terminating on June 30, 2027. The annual rent under this is \$227.

Following is the total lease expense for the years ended June 30, 2025 and 2024.

| <b>Lease Expense</b>                                 | <b>Year Ending<br/>6/30/25</b> | <b>Year Ending<br/>6/30/24</b> |
|--|--------------------------------|--------------------------------|
| Amortization expense by<br>class of underlying asset |                                |                                |
| Building   | \$ 220                         | \$ 213                         |
| Total amortization expense                           | 220                            | 213                            |
| Interest on lease liabilities                        | 4                              | 9                              |
| Variable lease expense                               | -                              | -                              |
| <b>Total</b>   | <b>\$ 224</b>                  | <b>\$ 222</b>                  |

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2025.

|                                | Beginning of<br>Year | Additions | Modifi-<br>cations &<br>Remeasure-<br>ments | Subtractions | End of<br>Year | Amounts<br>Due Within<br>One Year |
|--------------------------------|----------------------|-----------|---|--------------|----------------|-----------------------------------|
| Lease Asset:                   |                      |           |   |              |                |                                   |
| Building                       | \$ 832               | \$ -      | \$ -  | \$ (832)     | \$ -           |                                   |
| Less: Accumulated Amortization |                      |           |   |              |                |                                   |
| Building                       | (612)                | (220)     | -   | 832          | -              |                                   |
| Total Lease Assets, net        | \$ 220               | \$ (220)  | \$ -  | \$ -         | \$ -           |                                   |
| Lease Liabilities              | \$ 224               | \$ -      | \$ -  | \$ (224)     | \$ -           | \$ -                              |



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

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

| Lease Asset:                   | Beginning of<br>Year | Additions       | Modifi-<br>cations &<br>Remeasure-<br>ments | Subtractions    | End of Year   | Amounts Due<br>Within One<br>Year |
|--------------------------------|----------------------|-----------------|---|-----------------|---------------|-----------------------------------|
| Building                       | \$ 832               | \$ -            | \$ -  | \$ -            | \$ 832        |                                   |
| Less: Accumulated Amortization |                      |                 |   |                 |               |                                   |
| Building                       | (399)                | (213)           | -   | -               | (612)         |                                   |
| Total Lease Assets, net        | <u>\$ 433</u>        | <u>\$ (213)</u> | <u>\$ -</u>                                 | <u>\$ -</u>     | <u>\$ 220</u> |                                   |
| Lease Liabilities              | <u>\$ 442</u>        | <u>\$ -</u>     | <u>\$ -</u>                                 | <u>\$ (218)</u> | <u>\$ 224</u> | <u>\$ 224</u>                     |

**NOTE 12 LONG-TERM LIABILITIES**

**Change in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2025 is as follows:

|                               | Balance<br>7/1/24   | Additions         | Reductions        | Balance<br>6/30/25  | Amounts Due<br>Within One<br>Year |
|-------------------------------|---------------------|-------------------|-------------------|---------------------|-----------------------------------|
| Homeownership bond funds, par | \$ 1,915,700        | \$ 655,000        | \$ 135,665        | \$ 2,435,035        | \$ 66,165                         |
| Premium on bond funds         | 22,568              | 14,204            | 8,013             | 28,759              | 7,635                             |
| Compensated absences          | 380                 | 102 *             | -                 | 482                 | 121                               |
|                               | <u>\$ 1,938,648</u> | <u>\$ 669,306</u> | <u>\$ 143,678</u> | <u>\$ 2,464,276</u> | <u>\$ 73,921</u>                  |

\* The change in compensated absences is presented as a net change.

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

|                               | Balance<br>7/1/23   | Additions         | Reductions        | Balance<br>6/30/24  | Amounts Due<br>Within One<br>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                               |
|                               | <u>\$ 1,600,753</u> | <u>\$ 472,405</u> | <u>\$ 134,510</u> | <u>\$ 1,938,648</u> | <u>\$ 66,047</u>                  |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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:

| <u>Years Ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>     | <u>Total Debt Service</u> |
|------------------------------|--------------------|---------------------|---------------------------|
| 2026                         | \$ 66,165          | \$ 92,541           | \$ 158,706                |
| 2027                         | 75,510             | 96,519              | 172,029                   |
| 2028                         | 69,365             | 94,545              | 163,910                   |
| 2029                         | 64,995             | 92,662              | 157,657                   |
| 2030                         | 63,565             | 90,753              | 154,318                   |
| 2031 - 2035                  | 340,255            | 422,472             | 762,727                   |
| 2036 - 2040                  | 408,735            | 358,103             | 766,838                   |
| 2041 - 2045                  | 438,185            | 275,958             | 714,143                   |
| 2046 - 2050                  | 502,525            | 174,438             | 676,963                   |
| 2051 - 2055                  | 387,720            | 59,241              | 446,961                   |
| 2056 - 2060                  | 18,015             | 712                 | 18,727                    |
| Premiums                     | 28,759             | (28,759)            | -                         |
|                              | <u>\$2,463,794</u> | <u>\$ 1,729,185</u> | <u>\$4,192,979</u>        |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Schedules of Bonds Payable**

The following summarizes the Agency's bonds payable outstanding at June 30, 2025 and 2024. 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<br>Rate | 2025      | 2024      |
|------------------------------|------------------|-----------|-----------|
| 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     |
| Term Bond 1/1/38 (Premium)   | 4.00             | -         | 915       |
| Series 2015BC                |                  |           |           |
| Term Bond 1/1/36 (Premium)   | 4.00             | -         | 810       |
| Term Bond 1/1/46             | Variable         | 12,370    | 14,240    |
| Series 2015DE                |                  |           |           |
| Term Bond 7/1/46 (Premium)   | 4.00             | -         | 2,215     |
| Term Bond 7/1/36             | Variable         | 16,585    | 16,930    |
| Premium (Discount)           |                  | -         | 8         |
| 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      | 11,110    | 16,495    |
| 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             | 6,905     | 9,850     |
| Premium (Discount)           |                  | 34        | 133       |
| Series 2016CDE               |                  |           |           |
| Serial Bonds 1/1/23 - 7/1/25 | 1.80 - 2.15      | 1,135     | 4,045     |
| 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             | 11,310    | 13,605    |
| Premium (Discount)           |                  | 87        | 224       |
| Series 2017A                 |                  |           |           |
| Serial Bonds 1/1/23 - 7/1/27 | 2.20 - 2.95      | 6,890     | 10,080    |
| Term Bond 7/1/47 (Premium)   | 4.00             | 4,920     | 7,155     |
| Premium (Discount)           |                  | 24        | 91        |
| Series 2017BC                |                  |           |           |
| Term Bond 1/1/47             | Variable         | 13,235    | 13,940    |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|                              | Interest<br>Rate | 2025     | 2024     |
|------------------------------|------------------|----------|----------|
| Series 2017DE                |                  |          |          |
| Serial Bonds 7/1/22 - 1/1/28 | 1.50 - 2.65      | \$ 6,995 | \$ 9,175 |
| 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             | 6,415    | 9,135    |
| Premium (Discount)           |                  | 74       | 201      |
| Series 2017FGH               |                  |          |          |
| Serial Bonds 1/1/23 - 1/1/25 | 2.25 - 2.55      | -        | 495      |
| Term Bonds 7/1/48 (Premium)  | 4.00             | 6,745    | 10,460   |
| Term Bond 7/1/39             | Variable         | 28,250   | 28,250   |
| Premium (Discount)           |                  | 77       | 188      |
| Series 2018A                 |                  |          |          |
| Serial Bonds 7/1/22 - 7/1/29 | 2.35 - 3.20      | 8,870    | 11,260   |
| 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             | 9,435    | 13,450   |
| Premium (Discount)           |                  | 88       | 197      |
| Series 2018BC                |                  |          |          |
| Serial Bonds 7/1/22 - 1/1/25 | 3.25 - 3.55      | -        | 1,120    |
| Term Bond 1/1/49             | Variable         | 9,355    | 9,355    |
| Series 2018D                 |                  |          |          |
| Serial Bonds 7/1/22 - 7/1/29 | 2.15 - 3.25      | 13,920   | 16,780   |
| 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             | 15,085   | 19,310   |
| Premium (discount)           |                  | 158      | 339      |
| Series 2019AB                |                  |          |          |
| Serial Bonds 1/1/23 - 1/1/28 | 2.20 - 2.85      | 4,940    | 6,810    |
| Term Bonds 7/1/42            | Variable         | 25,000   | 25,000   |
| Term Bond 7/1/49 (premium)   | 4.25             | 9,075    | 12,735   |
| Premium (discount)           |                  | 155      | 301      |
| Series 2019C                 |                  |          |          |
| Serial Bonds 7/1/22 - 1/1/30 | 1.80 - 2.55      | 16,165   | 19,190   |
| 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             | 24,225   | 29,770   |
| Premium (discount)           |                  | 989      | 1,407    |
| Series 2019DE                |                  |          |          |
| Serial Bonds 7/1/22 - 7/1/29 | 2.65 - 3.45      | 2,565    | 3,080    |
| 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   |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | Interest<br>Rate | 2025      | 2024      |
|--|------------------|-----------|-----------|
| <b>Series 2019F</b>                    |                  |           |           |
| Serial Bonds 7/1/22 - 7/1/32           | 1.40 - 2.50      | \$ 15,830 | \$ 17,750 |
| 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     | 7,750     |
| Term Bonds 7/1/50 (premium)            | 3.75             | 11,165    | 14,875    |
| Premium (discount)                     |                  | 309       | 530       |
| <b>Series 2020A</b>                    |                  |           |           |
| Serial Bonds 1/1/23 - 7/1/32           | 1.45 - 2.45      | 20,005    | 22,445    |
| 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     | 9,825     |
| Term Bonds 1/1/51 (premium)            | 4.00             | 16,115    | 20,705    |
| Premium (discount)                     |                  | 531       | 833       |
| <b>Series 2020B</b>                    |                  |           |           |
| Serial Bonds 7/1/22 - 7/1/32           | 0.375 - 2.05     | 24,810    | 27,880    |
| 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             | 23,920    | 29,875    |
| Premium (discount)                     |                  | 882       | 1,360     |
| <b>Series 2021A</b>                    |                  |           |           |
| Serial Bonds 7/1/22 - 7/1/32           | 0.20 - 1.95      | 24,090    | 27,120    |
| 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             | 27,635    | 31,885    |
| Premium (discount)                     |                  | 1,095     | 1,621     |
| <b>Series 2021 BC</b>                  |                  |           |           |
| Serial Bonds 7/1/22 - 1/1/27           | 0.25 - 1.40      | 6,130     | 9,865     |
| 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             | 41,195    | 46,865    |
| Premium (discount)                     |                  | 1,819     | 2,436     |
| <b>Series 2022A</b>                    |                  |           |           |
| Serial Bonds 1/1/23 - 7/1/34           | 1.55 - 3.40      | 29,630    | 32,375    |
| 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             | 33,990    | 38,135    |
| Premium (discount)                     |                  | 856       | 1,209     |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|                              | Interest<br>Rate | 2025      | 2024      |
|------------------------------|------------------|-----------|-----------|
| Series 2022BC                |                  |           |           |
| Serial Bonds 1/1/23 - 7/1/29 | 2.39 - 3.60      | \$ 19,860 | \$ 25,260 |
| Term Bonds 1/1/50            | Variable         | 30,000    | 30,000    |
| Series 2022DE                |                  |           |           |
| Serial Bonds 7/1/23 - 7/1/33 | 2.86 - 4.70      | 13,005    | 14,265    |
| 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      | 14,845    | 16,125    |
| 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             | 21,030    | 23,790    |
| Premium (Discount)           |                  | 879       | 1,223     |
| Series 2023A                 |                  |           |           |
| Serial Bonds 1/1/24 - 7/1/35 | 2.65 - 4.15      | 26,785    | 28,795    |
| 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             | 39,345    | 42,280    |
| Premium (Discount)           |                  | 2,116     | 2,846     |
| Series 2023BC                |                  |           |           |
| Serial Bonds 1/1/24 - 7/1/34 | 4.260 - 5.359    | 7,290     | 7,865     |
| Term Bonds 7/1/39            | 5.45             | 5,135     | 5,135     |
| Term Bonds 7/1/47            | Variable         | 13,330    | 13,330    |
| Term Bonds 7/1/53 (Premium)  | 6.00             | 12,040    | 13,170    |
| Premium (Discount)           |                  | 244       | 327       |
| Series 2023D                 |                  |           |           |
| Serial Bonds 7/1/24 - 7/1/35 | 3.250 - 4.000    | 25,995    | 27,900    |
| Term Bonds 7/1/38            | 4.2              | 10,005    | 10,005    |
| Term Bonds 7/1/43            | 4.5              | 20,620    | 20,620    |
| Term Bonds 7/1/48            | 4.55             | 25,175    | 25,175    |
| Term Bonds 1/1/54 (Premium)  | 5.75             | 39,620    | 41,300    |
| Premium (Discount)           |                  | 2,076     | 2,713     |
| Series 2023E                 |                  |           |           |
| Serial Bonds 7/1/24 - 7/1/33 | 5.266 - 5.371    | 11,250    | 12,240    |
| Term Bonds 7/1/38            | 5.421            | 9,535     | 9,535     |
| Term Bonds 7/1/43            | 5.537            | 12,800    | 12,800    |
| Term Bonds 7/1/48            | 5.587            | 16,175    | 16,175    |
| Term Bonds 1/1/54 (Premium)  | 6.25             | 23,305    | 24,250    |
| Premium (Discount)           |                  | 516       | 676       |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | Interest<br>Rate | 2025      | 2024      |
|--|------------------|-----------|-----------|
| Series 2023F                           |                  |           |           |
| Serial Bonds 1/1/25 - 7/1/35           | 3.600 - 4.400    | \$ 14,925 | \$ 15,475 |
| Term Bonds 7/1/38                      | 4.65             | 5,915     | 5,915     |
| Term Bonds 7/1/43                      | 4.9              | 12,300    | 12,300    |
| Term Bonds 7/1/48                      | 5.1              | 16,310    | 16,310    |
| Term Bonds 1/1/50                      | 5.125            | 5,650     | 5,650     |
| Term Bonds 1/1/54 (Premium)            | 6.25             | 18,870    | 19,350    |
| Premium (Discount)                     |                  | 958       | 1,231     |
| Series 2024A                           |                  |           |           |
| Serial Bonds 1/1/25 - 7/1/36           | 3.100 - 3.950    | 34,610    | 35,545    |
| Term Bonds 7/1/39                      | 4.05             | 12,280    | 12,280    |
| Term Bonds 7/1/44                      | 4.55             | 25,040    | 25,040    |
| Term Bonds 7/1/49                      | 4.7              | 32,595    | 32,595    |
| Term Bonds 1/1/52                      | 4.75             | 17,990    | 17,990    |
| Term Bonds 7/1/54 (Premium)            | 6                | 25,450    | 25,550    |
| Premium (Discount)                     |                  | 1,791     | 2,267     |
| Series 2024B                           |                  |           |           |
| Term Bonds 7/1/34                      | 5.25             | 6,325     | 6,325     |
| Term Bonds 7/1/39                      | 5.543            | 5,010     | 5,010     |
| Term Bonds 7/1/44                      | 5.781            | 6,785     | 6,785     |
| Term Bonds 7/1/49                      | 5.861            | 9,285     | 9,285     |
| Term Bonds 1/1/52                      | 5.931            | 5,545     | 5,545     |
| Term Bonds 7/1/54 (Premium)            | 6.25             | 6,970     | 7,050     |
| Premium (Discount)                     |                  | 163       | 207       |
| Series 2024C                           |                  |           |           |
| Serial Bonds 7/1/25 - 7/1/37           | 3.400 - 4.150    | 54,270    | -         |
| Term Bonds 7/1/39                      | 4.3              | 11,495    | -         |
| Term Bonds 7/1/42 (Premium)            | 5                | 19,240    | -         |
| Term Bonds 7/1/44                      | 4.65             | 14,375    | -         |
| Term Bonds 1/1/49                      | 4.75             | 42,410    | -         |
| Term Bonds 1/1/51                      | 4.8              | 16,010    | -         |
| Term Bonds 7/1/55 (Premium)            | 6.25             | 42,200    | -         |
| Premium (Discount)                     |                  | 5,159     | -         |
| Series 2024D                           |                  |           |           |
| Serial Bonds 1/1/26 - 7/1/30           | 3.200 - 3.500    | 17,960    | -         |
| Serial Bonds 1/1/31 - 7/1/31 (Premium) | 5.5              | 4,020     | -         |
| Serial Bonds 1/1/32 - 7/1/36           | 3.700 - 4.000    | 22,640    | -         |
| Term Bonds 7/1/39                      | 4.175            | 16,020    | -         |
| Term Bonds 7/1/44 (Discount)           | 4.5              | 31,980    | -         |
| Term Bonds 7/1/49 (Discount)           | 4.65             | 40,495    | -         |
| Term Bonds 1/1/52                      | 4.7              | 21,105    | -         |
| Term Bonds 7/1/54 (Premium)            | 6                | 40,780    | -         |
| Premium (Discount)                     |                  | 4,525     | -         |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|                              | Interest<br>Rate | 2025                | 2024                |
|------------------------------|------------------|---------------------|---------------------|
| Series 2025A                 |                  |                     |                     |
| Serial Bonds 7/1/26 - 7/1/35 | 3.450 - 4.400    | \$ 32,965           | \$ -                |
| Term Bonds 7/1/31            | 4                | 3,885               | -                   |
| Term Bonds 7/1/37            | 4.5              | 9,745               | -                   |
| Term Bonds 7/1/40            | 4.7              | 16,380              | -                   |
| Term Bonds 7/1/45            | 4.94             | 33,315              | -                   |
| Term Bonds 7/1/50            | 5                | 43,210              | -                   |
| Term Bonds 7/1/53            | 5.05             | 27,500              | -                   |
| Term Bonds 1/1/56 (Premium)  | 6                | 33,000              | -                   |
| Premium (Discount)           |                  | 2,765               | -                   |
| Series 2025B                 |                  |                     |                     |
| Serial Bonds 7/1/26 - 7/1/37 | 4.559 - 5.768    | 11,485              | -                   |
| Term Bonds 7/1/40            | 6.008            | 4,605               | -                   |
| Term Bonds 7/1/45            | 6.203            | 9,890               | -                   |
| Term Bonds 7/1/50            | 6.223            | 13,595              | -                   |
| Term Bonds 1/1/54            | 6.263            | 10,875              | -                   |
| Term Bonds 7/1/56 (Premium)  | 6.25             | 9,550               | -                   |
| Premium (Discount)           |                  | 389                 | -                   |
|                              |                  | <u>\$ 2,463,794</u> | <u>\$ 1,938,268</u> |

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 \$2,463,794 maturing at various times from July 1, 2025 through July 1, 2056. 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 (discount) amortization for the current year were \$135,665 and \$63,819, respectively for the year ended June 30, 2025. Principal and interest paid net of premium amortization for the year were \$121,840 and \$45,856, respectively for the year ended June 30, 2024.

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.



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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<sup>2</sup>, the agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series<sup>1</sup>. 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<sup>6</sup>. 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<sup>2</sup> and maturity date<sup>3</sup>. Some of the swaps have optional termination dates<sup>15</sup>. 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)<sup>7</sup> plus a fixed percentage<sup>8</sup> on the swap notional amount<sup>4</sup>. On the other hand, the bond's variable-rate<sup>9</sup> 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<sup>14</sup>.

**Credit Risk**

As of June 30, 2025, the Agency had 11 swaps with a positive fair value totaling \$16,316. As of June 30, 2024, the Agency had 11 swaps with a positive fair value totaling \$20,762. 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, 2025 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$5,903 and the swap providers owed the Agency a variable rate on the notional amounts of \$7,989 making the net payment the Agency is owed from the swap providers \$2,086. 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 payments the Agency owes the swap providers \$3,965.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Fair Value**

Due to the difference in the variable rate indices, the swaps had a net positive fair value<sup>10</sup> of \$16,316 and \$20,762 at June 30, 2025 and 2024, 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, 2025 and 2024. 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<sup>6</sup> and the synthetic rate<sup>12</sup> as of June 30, 2025 and 2024. 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

The terms of the interest rate swaps at June 30, 2025 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    | 11,540    | 19,505    |
| 5  | Variable-rate Bonds       | 11,745     | 18,840    | 11,540    | 19,505    |
| 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                | 736        | 623       | 1,190     | 1,569     |
| 11 | Percentage of LIBOR       | 3.03185%   | 3.16071%  | 4.42878%  | 4.42878%  |
| 12 | Synthetic Rate            | 0.36415%   | 0.00629%  | -0.45878% | 1.09276%  |
| 13 | Actual Synthetic Rate     | 2.96749%   | 1.80143%  | 2.27431%  | 2.70952%  |
| 14 | Change in Fair Value      | (160)      | (459)     | (436)     | (657)     |
| 15 | Optional Termination Date | N/A        | N/A       | N/A       | 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                | 1,508      | 550       | 1,223     | 2,083     |
| 11 | Percentage of LIBOR       | 3.03071%   | 4.42878%  | 3.10015%  | 4.42878%  |
| 12 | Synthetic Rate            | 0.13529%   | 0.68622%  | 0.70235%  | 0.34222%  |
| 13 | Actual Synthetic Rate     | 2.14803%   | 3.45177%  | 2.85418%  | 3.11545%  |
| 14 | Change in Fair Value      | (645)      | (282)     | (413)     | (153)     |
| 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                | 3,417      | 2,919     | 498       |           |
| 11 | Percentage of LIBOR       | 4.47878%   | 4.47878%  | 4.57878%  |           |
| 12 | Synthetic Rate            | -0.23478%  | 0.92922%  | 1.51422%  |           |
| 13 | Actual Synthetic Rate     | 2.53755%   | 3.69373%  | 4.24509%  |           |
| 14 | Change in Fair Value      | (911)      | (97)      | (233)     |           |
| 15 | Optional Termination Date | 1/1/2032   | 1/1/2032  | 7/1/2028  |           |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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  |           |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Swap Payments and Associated Debt**

Using rates as of June 30, 2025, 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, 2025. As rates vary, variable-rate bond interest payments and net swap payments will vary.

| Fiscal year<br>Ending June 30 | Variable-Rate Bond |                  | Interest Rate<br>Swap, Net | Total             |
|-------------------------------|--------------------|------------------|----------------------------|-------------------|
|                               | Principal          | Interest         |                            |                   |
| 2026                          | \$ 1,595           | \$ 2,955         | \$ (2,072)                 | \$ 2,478          |
| 2027                          | 4,935              | 2,871            | (2,003)                    | 5,803             |
| 2028                          | 4,655              | 2,788            | (1,934)                    | 5,509             |
| 2029                          | 4,940              | 2,707            | (1,868)                    | 5,779             |
| 2030                          | 8,320              | 2,583            | (1,758)                    | 9,145             |
| 2031 - 2035                   | 46,915             | 10,884           | (6,916)                    | 50,883            |
| 2036 - 2040                   | 52,815             | 7,536            | (4,124)                    | 56,227            |
| 2041 - 2045                   | 38,595             | 4,498            | (2,257)                    | 40,836            |
| 2046 - 2050                   | 29,290             | 2,131            | (1,028)                    | 30,393            |
| 2051 - 2055                   | 12,770             | 224              | (99)                       | 12,895            |
|                               | <u>\$ 204,830</u>  | <u>\$ 39,177</u> | <u>\$ (24,059)</u>         | <u>\$ 219,948</u> |

**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, 2025, 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 5.89%.

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, 2024. The line of credit bears interest at 6.93%.

The Agency did not make draws on this line of credit during the years ended June 30, 2025 and 2024.

**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 \$13,978 as of June 30, 2025. In addition, borrowings are collateralized by \$22,220 of loans receivable and \$12 of cash and investments. 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**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 replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

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 8.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 9.26% 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, 2025 and 2024, the Agency reported a liability of \$4,848 and \$4,972 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2024 and 2023 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, 2024, the Agency's proportion was 0.259223 percent, which was an increase of 0.001381 percent from its proportion measured as of June 30, 2023.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

For the year ended June 30, 2025, the Agency recognized pension expense of \$332. At June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 230                                    | \$ -                                     |
| Changes of assumptions  | 1,168                                     | (2,200)                                  |
| Net difference between projected and actual earnings on pension plan investments                              | -   | (44)                                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 251                                       | (10)                                     |
| Employer contributions subsequent to the measurement date   | <u>332</u>                                | <u>-</u>                                 |
| Total   | <u><u>\$ 1,981</u></u>                    | <u><u>\$ (2,254)</u></u>                 |

\$332 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, 2026.

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:**

|      |          |
|------|----------|
| 2026 | \$ (428) |
| 2027 | 142      |
| 2028 | (289)    |
| 2029 | (30)     |



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Actuarial Assumptions**

The total pension liability in the July 1, 2024 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:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Equity      | 31.9%                        | 5.40%   |
| International Equity | 19.1%                        | 7.00%   |
| Private Equity       | 7.0%                         | 8.50%   |
| Domestic Fixed       | 23.0%                        | 2.88%   |
| Global Real Assets   | 19.0%                        | 6.10%   |

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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 3.97%; 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, 2025:

|   | <b>1% Decrease<br/>5.50%</b> | <b>Current<br/>Discount Rate<br/>6.50%</b> | <b>1% Increase<br/>7.50%</b> |
|---|------------------------------|--|------------------------------|
| Employer's proportionate share of the net pension liability | \$ 6,852                     | \$ 4,848                                   | \$ 3,187                     |

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

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, 2025 and 2024, the Agency reported a liability of \$204 and \$244 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2024 and 2023 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, 2024, the Agency's proportion was 0.236005 percent, which is a decrease of 0.008391 percent from its proportion measured as of June 30, 2023.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

For the year ended June 30, 2025, the Employer recognized OPEB expense of \$35. At June 30, 2025, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 3                                      | \$ (2)                                   |
| Changes of assumptions  | 31  | (14)                                     |
| Net difference between projected and actual earnings on OPEB plan investments                                 | -   | (8)                                      |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 6   | (6)                                      |
| Employer contributions subsequent to the measurement date   | <u>32</u>                                 | <u>-</u>                                 |
| <b>Total</b>  | <u><u>\$ 72</u></u>                       | <u><u>\$ (30)</u></u>                    |

\$32 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, 2026.

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:**

|      |       |
|------|-------|
| 2026 | \$ 10 |
| 2027 | 18    |
| 2028 | (13)  |
| 2029 | (5)   |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2024 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, 2024 is summarized in the following table:

| Asset Class                 | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Large Cap Domestic Equities | 33%               | 4.00%                                  |
| Small Cap Domestic Equities | 6%                | 6.00%                                  |
| Domestic Fixed Income       | 35%               | 3.29%                                  |
| International Equities      | 26%               | 7.00%                                  |

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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, 2024, 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:

|  | <b>1% Decrease<br/>4.75%</b> | <b>Current<br/>Discount Rate<br/>5.75%</b> | <b>1% Increase<br/>6.75%</b> |
|--|------------------------------|--|------------------------------|
| Employer's proportionate share of the net OPEB liability | \$ 279                       | \$ 204                                     | \$ 141                       |

**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.

|                              | <u>2025</u>       | <u>2024</u>       |
|------------------------------|-------------------|-------------------|
| Commitments to extend credit | <u>\$ 80,691</u>  | <u>\$ 155,462</u> |
| Loan Acquisition Fund        | <u>\$ 221,199</u> | <u>\$ 69,120</u>  |

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, 2025 and 2024, the Agency had no outstanding guarantees on loans owned by financial institutions.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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 \$438 per person and \$1,750 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 \$1,000 insurance policy with Great American Insurance Group.

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.



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**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, 2025, was as follows:

|                                | Agency<br>Operating<br>Funds | Homeownership<br>Bond Funds | Eliminations | Total<br>Enterprise |
|--------------------------------|------------------------------|-----------------------------|--------------|---------------------|
| Statement of Net Position      |                              |                             |              |                     |
| Current assets - other         | \$ 50,617                    | \$ 543,612                  | \$ (11,715)  | \$ 582,514          |
| Capital assets - net           | 75                           | -                           | -            | 75                  |
| Noncurrent assets - other      | 9,728                        | 2,226,635                   | -            | 2,236,363           |
| Total assets                   | 60,420                       | 2,770,247                   | (11,715)     | 2,818,952           |
| Deferred outflow of resources  | 2,053                        | -                           | -            | 2,053               |
| Current liabilities - other    | 29,546                       | 124,594                     | (11,715)     | 142,425             |
| Noncurrent liabilities - other | 5,413                        | 2,373,762                   | -            | 2,379,175           |
| Total liabilities              | 34,959                       | 2,498,356                   | (11,715)     | 2,521,600           |
| Deferred inflow of resources   | 2,284                        | 16,316                      | -            | 18,600              |
| Invested in capital assets     | 75                           | -                           | -            | 75                  |
| Net position - unrestricted    | 25,155                       | -                           | -            | 25,155              |
| Net position - restricted      | -                            | 255,575                     | -            | 255,575             |
| Total net position             | \$ 25,230                    | \$ 255,575                  | \$ -         | \$ 280,805          |

Statement of Net Position segment information as of and for the year ended June 30, 2024, was as follows:

|                                | Agency<br>Operating<br>Funds | Homeownership<br>Bond Funds | Eliminations | Total<br>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          |



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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, 2025, was as follows:

|  | Agency<br>Operating<br>Funds | Homeownership<br>Bond Funds | Eliminations | Total<br>Enterprise |
|--|------------------------------|-----------------------------|--------------|---------------------|
| Statement of Revenues, Expenses and<br>Change in Fund Net Position |                              |                             |              |                     |
| Operating revenues   |                              |                             |              |                     |
| Mortgage interest income   | \$ 12                        | \$ 83,631                   | \$ -         | \$ 83,643           |
| Investment income  | -                            | 26,105                      | -            | 26,105              |
| Gain on sale of investments  | -                            | -                           | -            | -                   |
| Fee income   | 14,519                       | -                           | (9,359)      | 5,160               |
| Depreciation   | (33)                         | -                           | -            | (33)                |
| Other operating expenses   | (12,044)                     | (89,694)                    | 9,359        | (92,379)            |
| Operating income   | <u>2,454</u>                 | <u>20,042</u>               | <u>-</u>     | <u>22,496</u>       |
| Nonoperating revenues (expenses)                                   |                              |                             |              |                     |
| Federal grants   | 29,711                       | -                           | -            | 29,711              |
| Non-federal grants   | 1,469                        | -                           | -            | 1,469               |
| Investment income  | 490                          | -                           | -            | 490                 |
| Federal grants   | (29,711)                     | -                           | -            | (29,711)            |
| Transfers  | (100)                        | -                           | -            | (100)               |
| Change in net position   | <u>4,313</u>                 | <u>20,042</u>               | <u>-</u>     | <u>24,355</u>       |
| Total net position, beginning of year                              | 20,994                       | 235,456                     | -            | 256,450             |
| Equity transfer in (out)   | <u>(77)</u>                  | <u>77</u>                   | <u>-</u>     | <u>-</u>            |
| Total net position, end of year                                    | <u>\$ 25,230</u>             | <u>\$ 255,575</u>           | <u>\$ -</u>  | <u>\$ 280,805</u>   |
| Statement of Cash Flows  |                              |                             |              |                     |
| Net cash used by operating activities                              | \$ 5,855                     | \$ (250,017)                | \$ -         | \$ (244,162)        |
| Net cash used for noncapital<br>financing activities               | 1,369                        | 469,720                     | -            | 471,089             |
| Net cash used for capital and related<br>financing activities      | (240)                        | -                           | -            | (240)               |
| Net cash from (used by) investing activities                       | 415                          | 6,187                       | -            | 6,602               |
| Change in cash and cash equivalents                                | <u>7,399</u>                 | <u>225,890</u>              | <u>-</u>     | <u>233,289</u>      |
| Cash and cash equivalents,<br>beginning of year                    | <u>36,344</u>                | <u>251,657</u>              | <u>-</u>     | <u>288,001</u>      |
| Cash and cash equivalents, end of year                             | <u>\$ 43,743</u>             | <u>\$ 477,547</u>           | <u>\$ -</u>  | <u>\$ 521,290</u>   |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(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, 2024, was as follows:

|  | Agency<br>Operating<br>Funds | Homeownership<br>Bond Funds | Eliminations | Total<br>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                             | <u>1,303</u>                 | <u>17,645</u>               | <u>-</u>     | <u>18,948</u>       |
| 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                       | <u>6,601</u>                 | <u>17,645</u>               | <u>-</u>     | <u>24,246</u>       |
| Total net position, beginning of year        | 14,312                       | 217,892                     | -            | 232,204             |
| Equity transfer in (out)                     | 81                           | (81)                        | -            | -                   |
| Total net position, end of year              | <u>\$ 20,994</u>             | <u>\$ 235,456</u>           | <u>\$ -</u>  | <u>\$ 256,450</u>   |
| Statement of Cash Flows                      |                              |                             |              |                     |
| Net cash 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       | <u>\$ 36,344</u>             | <u>\$ 251,657</u>           | <u>\$ -</u>  | <u>\$ 288,001</u>   |

**NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS**

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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

**NOTE 23 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Agency's year end. Subsequent events have been evaluated through November 24, 2025, the date these financial statements were available to be issued.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

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

|      | Employer's<br>proportion of<br>the net<br>pension<br>liability (asset) | Employer's<br>proportionate<br>share of the<br>net pension<br>liability (asset) | Employer's<br>covered-<br>employee<br>payroll | Employer's proportionate<br>share of the net pension<br>liability (asset) as a<br>percentage of its covered-<br>employee payroll | Plan fiduciary<br>net position as a<br>percentage of<br>the total pension<br>liability |
|------|--|---|---|--|--|
| 2025 | 0.25922%   | \$ 4,848  | \$ 3,714                                      | 130.56%  | 68.02%   |
| 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%   |

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

|      | Statutorily<br>required<br>contribution | Contributions in<br>relation to the<br>statutorily required<br>contribution | Contribution<br>deficiency<br>(excess) | Employer's<br>covered-<br>employee payroll | Contributions as a<br>percentage of<br>covered-employee<br>payroll |
|------|---|---|--|--|--|
| 2025 | \$ 332                                  | \$ (332)  | \$ -                                   | \$ 3,940                                   | 8.43%  |
| 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%  |

See Note to the Required Supplementary Information

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024  
(In Thousands)

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

|      | Employer's<br>proportion of<br>the net OPEB<br>liability (asset) | Employer's<br>proportionate<br>share of the<br>net OPEB<br>liability (asset) | Employer's<br>covered-<br>employee<br>payroll | Employer's proportionate<br>share of the net OPEB<br>liability (asset) as a<br>percentage of its covered-<br>employee payroll | Plan fiduciary<br>net position as a<br>percentage of<br>the total OPEB<br>liability |
|------|--|--|---|---|---|
| 2025 | 0.236005%  | \$ 204   | \$ 2,447                                      | 8.33%   | 68.35%  |
| 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<br>required<br>contribution | Contributions in<br>relation to the<br>statutorily required<br>contribution | Contribution<br>deficiency<br>(excess) | Employer's<br>covered-<br>employee<br>payroll | Contributions as a<br>percentage of<br>covered-employee<br>payroll |
|------|---|---|--|---|--|
| 2025 | \$ 32                                   | \$ (32)   | \$ -                                   | \$ 2,768                                      | 1.14%  |
| 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**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, 2024 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, 2023.

**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, 2023.

*Changes of Assumptions.*

All actuarial assumptions used in the actuarial valuation as of July 1, 2024 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, 2023.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF NET POSITION**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond Funds | Total     | Elimination | Total     |           |
|--|------------------------------|----------------------------|----------------------------|-----------------------------|-----------|-------------|-----------|-----------|
|  |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                             |           |             | 2025      | 2024      |
| <b>ASSETS</b>  |                              |                            |                            |                             |           |             |           |           |
| <b>CURRENT ASSETS - UNRESTRICTED</b>                       |                              |                            |                            |                             |           |             |           |           |
| Cash and cash equivalents                                  | \$ 19,731                    | \$ -                       | \$ -                       | \$ -                        | \$ 19,731 | \$ -        | \$ 19,731 | \$ 16,135 |
| Due from State Agencies                                    | 294                          | -                          | -                          | -                           | 294       | -           | 294       | 331       |
| Receivables  |                              |                            |                            |                             |           |             |           |           |
| Interest   |                              |                            |                            |                             |           |             |           |           |
| Loans  | 1                            | -                          | -                          | -                           | 1         | -           | 1         | 1         |
| Investments  | 29                           | -                          | -                          | -                           | 29        | -           | 29        | 31        |
| Due from HUD   | 375                          | -                          | -                          | -                           | 375       | -           | 375       | 438       |
| Other  | 4,603                        | -                          | -                          | -                           | 4,603     | (3,765)     | 838       | 1,616     |
| Current portion of service release premium                 | 1,468                        | -                          | -                          | -                           | 1,468     | -           | 1,468     | 1,272     |
| Prepaid expenses   | 79                           | 31                         | -                          | 31                          | 110       | -           | 110       | 104       |
| Total unrestricted current assets                          | 26,580                       | 31                         | -                          | 31                          | 26,611    | (3,765)     | 22,846    | 19,928    |
| <b>CURRENT ASSETS - RESTRICTED</b>                         |                              |                            |                            |                             |           |             |           |           |
| Cash and cash equivalents                                  | 24,012                       | 472,706                    | 4,841                      | 477,547                     | 501,559   | -           | 501,559   | 271,866   |
| Receivables  |                              |                            |                            |                             |           |             |           |           |
| Current portion of loans receivable, net of allowance      | 25                           | 44,544                     | 2,036                      | 46,580                      | 46,605    | -           | 46,605    | 40,820    |
| Interest   |                              |                            |                            |                             |           |             |           |           |
| Loans  | -                            | 8,809                      | 179                        | 8,988                       | 8,988     | -           | 8,988     | 6,827     |
| Investments  | -                            | 2,343                      | 26                         | 2,369                       | 2,369     | -           | 2,369     | 2,083     |
| Other  | -                            | 6,929                      | 1,168                      | 8,097                       | 8,097     | (7,950)     | 147       | -         |
| Total restricted current assets                            | 24,037                       | 535,331                    | 8,250                      | 543,581                     | 567,618   | (7,950)     | 559,668   | 321,596   |
| Total current assets                                       | 50,617                       | 535,362                    | 8,250                      | 543,612                     | 594,229   | (11,715)    | 582,514   | 341,524   |
| <b>NONCURRENT ASSETS - UNRESTRICTED</b>                    |                              |                            |                            |                             |           |             |           |           |
| Service release premium, net                               | 9,547                        | -                          | -                          | -                           | 9,547     | -           | 9,547     | 8,476     |
| Equipment, net   | 75                           | -                          | -                          | -                           | 75        | -           | 75        | 96        |
| Leased asset, net  | -                            | -                          | -                          | -                           | -         | -           | -         | 220       |
| Total unrestricted noncurrent assets                       | 9,622                        | -                          | -                          | -                           | 9,622     | -           | 9,622     | 8,792     |
| <b>NONCURRENT ASSETS - RESTRICTED</b>                      |                              |                            |                            |                             |           |             |           |           |
| Loans receivable, net of current portion, net of allowance | 181                          | 2,130,564                  | 46,918                     | 2,177,482                   | 2,177,663 | -           | 2,177,663 | 1,851,688 |
| Investments  | -                            | 45,953                     | 3,200                      | 49,153                      | 49,153    | -           | 49,153    | 53,837    |
| Total restricted noncurrent assets                         | 181                          | 2,176,517                  | 50,118                     | 2,226,635                   | 2,226,816 | -           | 2,226,816 | 1,905,525 |
| Total noncurrent assets                                    | 9,803                        | 2,176,517                  | 50,118                     | 2,226,635                   | 2,236,438 | -           | 2,236,438 | 1,914,317 |
| Total assets   | 60,420                       | 2,711,879                  | 58,368                     | 2,770,247                   | 2,830,667 | (11,715)    | 2,818,952 | 2,255,841 |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                      |                              |                            |                            |                             |           |             |           |           |
| Deferred outflow - pension                                 | 1,981                        | -                          | -                          | -                           | 1,981     | -           | 1,981     | 3,713     |
| Deferred outflow - OPEB                                    | 72                           | -                          | -                          | -                           | 72        | -           | 72        | 116       |
| Total deferred outflows of resources                       | 2,053                        | -                          | -                          | -                           | 2,053     | -           | 2,053     | 3,829     |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

|   | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond<br>Funds | Total      | Elimination | Total      |            |
|---|------------------------------|----------------------------|----------------------------|--------------------------------|------------|-------------|------------|------------|
|   |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                                |            |             | 2025       | 2024       |
| <b>LIABILITIES</b>                                |                              |                            |                            |                                |            |             |            |            |
| <b>CURRENT LIABILITIES</b>                        |                              |                            |                            |                                |            |             |            |            |
| Due to HUD  | \$ 23                        | \$ -                       | \$ -                       | \$ -                           | \$ 23      | \$ -        | \$ 23      | \$ 13      |
| Due to State Agencies                             | 571                          | -                          | -                          | -                              | 571        | -           | 571        | 519        |
| Other   | 4,943                        | 7,474                      | 24                         | 7,498                          | 12,441     | (11,715)    | 726        | 2,017      |
| Current portion of compensated absences           | 121                          | -                          | -                          | -                              | 121        | -           | 121        | 380        |
| Current portion of bonds payable, net of premium  | -                            | 70,685                     | 3,115                      | 73,800                         | 73,800     | -           | 73,800     | 65,667     |
| Accrued interest                                  | -                            | 42,810                     | 486                        | 43,296                         | 43,296     | -           | 43,296     | 32,765     |
| Funds held in trust                               | 23,888                       | -                          | -                          | -                              | 23,888     | -           | 23,888     | 20,148     |
| Total current liabilities                         | 29,546                       | 120,969                    | 3,625                      | 124,594                        | 154,140    | (11,715)    | 142,425    | 121,509    |
| <b>NONCURRENT LIABILITIES</b>                     |                              |                            |                            |                                |            |             |            |            |
| Rebate due to IRS                                 | -                            | 84                         | -                          | 84                             | 84         | -           | 84         | -          |
| Net pension liability                             | 4,848                        | -                          | -                          | -                              | 4,848      | -           | 4,848      | 4,972      |
| Net OPEB liability                                | 204                          | -                          | -                          | -                              | 204        | -           | 204        | 244        |
| Financial derivative instrument                   | -                            | (16,316)                   | -                          | (16,316)                       | (16,316)   | -           | (16,316)   | (20,762)   |
| Compensated absences, net of current portion      | 361                          | -                          | -                          | -                              | 361        | -           | 361        | -          |
| Bonds payable, net of current portion and premium | -                            | 2,359,611                  | 30,383                     | 2,389,994                      | 2,389,994  | -           | 2,389,994  | 1,872,601  |
| Total noncurrent liabilities                      | 5,413                        | 2,343,379                  | 30,383                     | 2,373,762                      | 2,379,175  | -           | 2,379,175  | 1,857,055  |
| Total liabilities                                 | 34,959                       | 2,464,348                  | 34,008                     | 2,498,356                      | 2,533,315  | (11,715)    | 2,521,600  | 1,978,564  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                              |                            |                            |                                |            |             |            |            |
| Deferred inflow - pension                         | 2,254                        | -                          | -                          | -                              | 2,254      | -           | 2,254      | 3,864      |
| Deferred inflow - OPEB                            | 30                           | -                          | -                          | -                              | 30         | -           | 30         | 30         |
| Financial derivative instrument                   | -                            | 16,316                     | -                          | 16,316                         | 16,316     | -           | 16,316     | 20,762     |
| Total deferred inflows of resources               | 2,284                        | 16,316                     | -                          | 16,316                         | 18,600     | -           | 18,600     | 24,656     |
| <b>NET POSITION</b>                               |                              |                            |                            |                                |            |             |            |            |
| Invested in capital assets                        | 75                           | -                          | -                          | -                              | 75         | -           | 75         | 92         |
| Restricted for debt service                       | -                            | 231,215                    | 24,360                     | 255,575                        | 255,575    | -           | 255,575    | 235,456    |
| Unrestricted                                      | 25,155                       | -                          | -                          | -                              | 25,155     | -           | 25,155     | 20,902     |
| Total net position                                | \$ 25,230                    | \$ 231,215                 | \$ 24,360                  | \$ 255,575                     | \$ 280,805 | \$ -        | \$ 280,805 | \$ 256,450 |



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond Funds | Total      | Elimination | Total      |            |
|--|------------------------------|----------------------------|----------------------------|-----------------------------|------------|-------------|------------|------------|
|  |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                             |            |             | 2025       | 2024       |
| OPERATING REVENUES                       |                              |                            |                            |                             |            |             |            |            |
| Mortgage interest income                 | \$ 12                        | \$ 81,790                  | \$ 1,841                   | \$ 83,631                   | \$ 83,643  | \$ -        | \$ 83,643  | \$ 63,706  |
| Investment income                        | -                            | 25,849                     | 256                        | 26,105                      | 26,105     | -           | 26,105     | 21,152     |
| Gain (loss) on sale of investments       | -                            | -                          | -                          | -                           | -          | -           | -          | (9)        |
| Fee income                               | 14,519                       | -                          | -                          | -                           | 14,519     | (9,359)     | 5,160      | 4,602      |
| Total revenues                           | 14,531                       | 107,639                    | 2,097                      | 109,736                     | 124,267    | (9,359)     | 114,908    | 89,451     |
| OPERATING EXPENSES                       |                              |                            |                            |                             |            |             |            |            |
| Interest expense                         | 3                            | 73,485                     | 868                        | 74,353                      | 74,356     | -           | 74,356     | 54,623     |
| Agency grants                            | 1,657                        | -                          | -                          | -                           | 1,657      | -           | 1,657      | 1,413      |
| Administrative and operating<br>expenses | 9,797                        | 15,112                     | 229                        | 15,341                      | 25,138     | (9,359)     | 15,779     | 13,662     |
| Pension expense                          | 332                          | -                          | -                          | -                           | 332        | -           | 332        | 512        |
| OPEB expense                             | 35                           | -                          | -                          | -                           | 35         | -           | 35         | 47         |
| Amortization                             | 220                          | -                          | -                          | -                           | 220        | -           | 220        | 213        |
| Depreciation                             | 33                           | -                          | -                          | -                           | 33         | -           | 33         | 33         |
| Total expenses                           | 12,077                       | 88,597                     | 1,097                      | 89,694                      | 101,771    | (9,359)     | 92,412     | 70,503     |
| OPERATING INCOME                         | 2,454                        | 19,042                     | 1,000                      | 20,042                      | 22,496     | -           | 22,496     | 18,948     |
| NONOPERATING REVENUE (EXPENSES)          |                              |                            |                            |                             |            |             |            |            |
| Federal grants                           | 29,711                       | -                          | -                          | -                           | 29,711     | -           | 29,711     | 20,648     |
| Non-federal grants                       | 1,469                        | -                          | -                          | -                           | 1,469      | -           | 1,469      | 5,060      |
| Investment income (loss)                 | 490                          | -                          | -                          | -                           | 490        | -           | 490        | 338        |
| Federal grants                           | (29,711)                     | -                          | -                          | -                           | (29,711)   | -           | (29,711)   | (20,648)   |
| Total nonoperating revenues (expenses)   | 1,959                        | -                          | -                          | -                           | 1,959      | -           | 1,959      | 5,398      |
| CHANGE IN ASSETS BEFORE TRANSFERS        | 4,413                        | 19,042                     | 1,000                      | 20,042                      | 24,455     | -           | 24,455     | 24,346     |
| TRANSFERS                                |                              |                            |                            |                             |            |             |            |            |
| Transfer to Industrial Commission        | (100)                        | -                          | -                          | -                           | (100)      | -           | (100)      | (100)      |
| CHANGE IN NET POSITION                   | 4,313                        | 19,042                     | 1,000                      | 20,042                      | 24,355     | -           | 24,355     | 24,246     |
| TOTAL NET POSITION, BEGINNING OF YEAR    | 20,994                       | 212,096                    | 23,360                     | 235,456                     | 256,450    | -           | 256,450    | 232,204    |
| TRANSFER IN (OUT)                        | (77)                         | 77                         | -                          | 77                          | -          | -           | -          | -          |
| TOTAL NET POSITION, END OF YEAR          | \$ 25,230                    | \$ 231,215                 | \$ 24,360                  | \$ 255,575                  | \$ 280,805 | \$ -        | \$ 280,805 | \$ 256,450 |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|  | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond Funds | Total      | Elimination | Total      |            |
|--|------------------------------|----------------------------|----------------------------|-----------------------------|------------|-------------|------------|------------|
|  |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                             |            |             | 2025       | 2024       |
| OPERATING ACTIVITIES   |                              |                            |                            |                             |            |             |            |            |
| Receipts from customers  | \$ 16,856                    | \$ 432,668                 | \$ 5,808                   | \$ 438,476                  | \$ 455,332 | \$ (2,974)  | \$ 452,358 | \$ 320,618 |
| Proceeds from sale of loans receivable                             | -                            | 145                        | -                          | 145                         | 145        | -           | 145        | 703        |
| Interfund mortgages loan purchases and sales                       | -                            | (461,668)                  | -                          | (461,668)                   | (461,668)  | -           | (461,668)  | (279,531)  |
| Grant funds received in advance                                    | -                            | -                          | -                          | -                           | -          | -           | -          | -          |
| Payment of grants  | (1,583)                      | -                          | -                          | -                           | (1,583)    | -           | (1,583)    | (1,023)    |
| Payments to service providers                                      |                              |                            |                            |                             |            |             |            |            |
| State agencies   | (6,245)                      | -                          | -                          | -                           | (6,245)    | -           | (6,245)    | (6,146)    |
| Mortgage loan purchases  | -                            | (208,683)                  | -                          | (208,683)                   | (208,683)  | -           | (208,683)  | (270,105)  |
| Other  | 2,678                        | (17,927)                   | (360)                      | (18,287)                    | (15,609)   | 2,974       | (12,635)   | (11,000)   |
| Payments to employees  | (5,851)                      | -                          | -                          | -                           | (5,851)    | -           | (5,851)    | (5,378)    |
| Net cash provided by (used for)<br>operating activities            | 5,855                        | (255,465)                  | 5,448                      | (250,017)                   | (244,162)  | -           | (244,162)  | (251,862)  |
| NONCAPITAL FINANCING<br>ACTIVITIES                                 |                              |                            |                            |                             |            |             |            |            |
| Principal payments on bonds payable                                | -                            | (130,460)                  | (5,205)                    | (135,665)                   | (135,665)  | -           | (135,665)  | (126,840)  |
| Proceeds from bond issuance  | -                            | 669,204                    | -                          | 669,204                     | 669,204    | -           | 669,204    | 472,107    |
| Interest paid on loans and bonds                                   | -                            | (62,884)                   | (935)                      | (63,819)                    | (63,819)   | -           | (63,819)   | (45,897)   |
| Proceeds from non-federal grants                                   | 1,469                        | -                          | -                          | -                           | 1,469      | -           | 1,469      | 5,060      |
| Proceeds from federal grants                                       | 29,711                       | -                          | -                          | -                           | 29,711     | -           | 29,711     | 20,648     |
| Payment of federal grants  | (29,711)                     | -                          | -                          | -                           | (29,711)   | -           | (29,711)   | (20,648)   |
| Transfers to Industrial Commission                                 | (100)                        | -                          | -                          | -                           | (100)      | -           | (100)      | (100)      |
| Net cash provided by (used for)<br>noncapital financing activities | 1,369                        | 475,860                    | (6,140)                    | 469,720                     | 471,089    | -           | 471,089    | 304,330    |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|   | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond Funds | Total             | Elimination | Total             |                   |
|---|------------------------------|----------------------------|----------------------------|-----------------------------|-------------------|-------------|-------------------|-------------------|
|   |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                             |                   |             | 2025              | 2024              |
| <b>CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>           |                              |                            |                            |                             |                   |             |                   |                   |
| Purchase of equipment   | \$ (12)                      | \$ -                       | \$ -                       | \$ -                        | \$ (12)           | \$ -        | \$ (12)           | \$ (8)            |
| Principal payments on lease payable                           | (224)                        | -                          | -                          | -                           | (224)             | -           | (224)             | (218)             |
| Interest paid on lease payable                                | (4)                          | -                          | -                          | -                           | (4)               | -           | (4)               | (9)               |
| Net cash used for capital<br>and related financing activities | (240)                        | -                          | -                          | -                           | (240)             | -           | (240)             | (235)             |
| <b>INVESTING ACTIVITIES</b>                                   |                              |                            |                            |                             |                   |             |                   |                   |
| Purchase of investments                                       | -                            | -                          | (496)                      | (496)                       | (496)             | -           | (496)             | -                 |
| Proceeds from sale of investments                             | -                            | 6,683                      | -                          | 6,683                       | 6,683             | -           | 6,683             | 5,843             |
| Interest received from investments                            | 415                          | -                          | -                          | -                           | 415               | -           | 415               | 470               |
| Net cash provided by (used for)<br>investing activities       | 415                          | 6,683                      | (496)                      | 6,187                       | 6,602             | -           | 6,602             | 6,313             |
| <b>NET CHANGE IN CASH<br/>AND CASH EQUIVALENTS</b>            | 7,399                        | 227,078                    | (1,188)                    | 225,890                     | 233,289           | -           | 233,289           | 58,546            |
| <b>CASH AND CASH EQUIVALENTS<br/>AT BEGINNING OF YEAR</b>     | 36,344                       | 245,628                    | 6,029                      | 251,657                     | 288,001           | -           | 288,001           | 229,455           |
| <b>CASH AND CASH EQUIVALENTS<br/>AT END OF YEAR</b>           | <u>\$ 43,743</u>             | <u>\$ 472,706</u>          | <u>\$ 4,841</u>            | <u>\$ 477,547</u>           | <u>\$ 521,290</u> | <u>\$ -</u> | <u>\$ 521,290</u> | <u>\$ 288,001</u> |
| Cash and Cash Equivalents - Unrestricted                      | \$ 19,731                    | \$ -                       | \$ -                       | \$ -                        | \$ 19,731         | \$ -        | \$ 19,731         | \$ 16,135         |
| Cash and Cash Equivalents - Restricted                        | 24,012                       | 472,706                    | 4,841                      | 477,547                     | 501,559           | -           | 501,559           | 271,866           |
|   | <u>\$ 43,743</u>             | <u>\$ 472,706</u>          | <u>\$ 4,841</u>            | <u>\$ 477,547</u>           | <u>\$ 521,290</u> | <u>\$ -</u> | <u>\$ 521,290</u> | <u>\$ 288,001</u> |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

|   | Agency<br>Operating<br>Funds | Homeownership Bond Funds   |                            | Homeownership<br>Bond Funds | Total        | Elimination | Total        |              |
|---|------------------------------|----------------------------|----------------------------|-----------------------------|--------------|-------------|--------------|--------------|
|   |                              | 1994 General<br>Resolution | 2009 General<br>Resolution |                             |              |             | 2025         | 2024         |
| RECONCILIATION OF OPERATING INCOME<br>(LOSS) TO NET CASH PROVIDED<br>BY (USED FOR) OPERATING ACTIVITIES |                              |                            |                            |                             |              |             |              |              |
| Operating income (loss)   | \$ 2,454                     | \$ 19,042                  | \$ 1,000                   | \$ 20,042                   | \$ 22,496    | \$ -        | \$ 22,496    | \$ 18,948    |
| Adjustments to reconcile operating income<br>to net cash from operating activities:                     |                              |                            |                            |                             |              |             |              |              |
| Depreciation  | 33                           | -                          | -                          | -                           | 33           | -           | 33           | 33           |
| Amortization  |                              |                            |                            |                             |              |             |              |              |
| Original issue discounts and premiums   | -                            | (7,876)                    | (137)                      | (8,013)                     | (8,013)      | -           | (8,013)      | (7,375)      |
| Service release premiums  | 2,062                        | -                          | -                          | -                           | 2,062        | -           | 2,062        | 1,658        |
| Leased assets   | 220                          | -                          | -                          | -                           | 220          | -           | 220          | 213          |
| (Increase) decrease in fair value of investments  | -                            | (1,444)                    | 16                         | (1,428)                     | (1,428)      | -           | (1,428)      | 694          |
| Reclassification of interest<br>expense to other activities   | 3                            | 73,188                     | 878                        | 74,066                      | 74,069       | -           | 74,069       | 53,939       |
| Effect on cash flows due to changes in:   |                              |                            |                            |                             |              |             |              |              |
| Deferred outflow - pension  | 1,732                        | -                          | -                          | -                           | 1,732        | -           | 1,732        | 1,853        |
| Deferred outflow - OPEB   | 44                           | -                          | -                          | -                           | 44           | -           | 44           | 50           |
| Deferred inflows - pension  | (1,610)                      | -                          | -                          | -                           | (1,610)      | -           | (1,610)      | 848          |
| Deferred inflows - OPEB   | -                            | -                          | -                          | -                           | -            | -           | -            | 17           |
| Effect on cash flows due to changes in:   |                              |                            |                            |                             |              |             |              |              |
| Due from HUD  | 63                           | -                          | -                          | -                           | 63           | -           | 63           | 406          |
| Due from State Agencies   | 37                           | -                          | -                          | -                           | 37           | -           | 37           | (331)        |
| Service release premium   | (3,329)                      | -                          | -                          | -                           | (3,329)      | -           | (3,329)      | (2,959)      |
| Other receivables   | 339                          | (4,939)                    | (1,154)                    | (6,093)                     | (5,754)      | 6,385       | 631          | 6            |
| Prepaid expenses  | (4)                          | (1)                        | -                          | (1)                         | (5)          | -           | (5)          | (5)          |
| Loan interest receivable  | -                            | (2,169)                    | 8                          | (2,161)                     | (2,161)      | -           | (2,161)      | (1,730)      |
| Loans receivable  | 25                           | (336,625)                  | 4,840                      | (331,785)                   | (331,760)    | -           | (331,760)    | (316,383)    |
| Due to HUD  | 10                           | -                          | -                          | -                           | 10           | -           | 10           | (17)         |
| Due to State Agencies   | 52                           | -                          | -                          | -                           | 52           | -           | 52           | 86           |
| Rebate due to IRS   | -                            | 84                         | -                          | 84                          | 84           | -           | 84           | -            |
| Other liabilities   | 46                           | 5,275                      | (3)                        | 5,272                       | 5,318        | (6,385)     | (1,067)      | (606)        |
| Compensated absences  | 102                          | -                          | -                          | -                           | 102          | -           | 102          | 4            |
| Funds held in trust   | 3,740                        | -                          | -                          | -                           | 3,740        | -           | 3,740        | 1,324        |
| Net pension liability   | (164)                        | -                          | -                          | -                           | (164)        | -           | (164)        | (2,535)      |
| Net cash provided by (used for)<br>operating activities   | \$ 5,855                     | \$ (255,465)               | \$ 5,448                   | \$ (250,017)                | \$ (244,162) | \$ -        | \$ (244,162) | \$ (251,862) |
| Non-cash disclosures:   |                              |                            |                            |                             |              |             |              |              |
| Increase (decrease) in fair value of investments  | \$ 77                        | \$ 1,444                   | \$ (17)                    | \$ 1,427                    | \$ 1,504     | \$ -        | \$ 1,504     | \$ (775)     |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**HOUSING AND URBAN DEVELOPMENT -**  
**SECTION 8 FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2025**

| Line Item #    | Description  | Rent<br>Supplements -<br>Rental Housing<br>for Lower Income<br>Families | Lower Income<br>Housing Assistance<br>Program_Section 8<br>Moderate<br>Rehabilitate<br>ND901MR0001 | Lower Income<br>Housing Assistance<br>Program_Section 8<br>Moderate<br>Rehabilitat<br>ND901MR0004 | Lower Income<br>Housing Assistance<br>Program_Section 8<br>Moderate<br>Rehabilitat<br>ND901MR0005 | Lower Income<br>Housing Assistance<br>Program_Section 8<br>Moderate<br>Rehabilitat<br>ND901MR0006 | Lower Income<br>Housing Assistance<br>Program_Section 8<br>Moderate<br>Rehabilitat<br>ND901MR0008 |
|----------------|--|---|--|---|---|---|---|
|                | <b>Assets</b>  |   |  |   |   |   |   |
| 111            | Cash - Unrestricted  | 1,027,435   | 107,171  | 39,006  | 52,286  | 153,339   | 31,878  |
| 113            | Cash - Other Restricted                                    | 16  | -  | -   | -   | -   | -   |
| 115            | Cash - Restricted for payment of current liability         | -   | 2,667  | 7,488   | 4,596   | 3,726   | 4,771   |
| <b>100</b>     | <b>Total Cash</b>  | <b>1,027,451</b>  | <b>109,838</b>   | <b>46,494</b>   | <b>56,882</b>   | <b>157,065</b>  | <b>36,649</b>   |
| 122            | Accounts Receivable - HUD Other Projects                   | 165,707   | -  | -   | -   | -   | -   |
| 125            | Accounts Receivable - Miscellaneous                        | -   | -  | -   | -   | -   | -   |
| 126.1          | Allowance for Doubtful Accounts - Dwelling Rents           | -   | -  | -   | -   | -   | -   |
| 126.2          | Allowance for Doubtful Accounts - Other                    | -   | -  | -   | -   | -   | -   |
| <b>120</b>     | <b>Total Receivables, net of allowances for</b>            | <b>165,707</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  |
| 142            | Prepaid Expenses and Other Assets                          | 13,892  | -  | -   | -   | -   | -   |
| <b>150</b>     | <b>Total Current Assets</b>                                | <b>1,207,050</b>  | <b>109,838</b>   | <b>46,494</b>   | <b>56,882</b>   | <b>157,065</b>  | <b>36,649</b>   |
| <b>160</b>     | <b>Total Fixed Assets, Net of Accumulated Depreciation</b> | <b>-</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  |
| <b>180</b>     | <b>Total Non-Current Assets</b>                            | <b>-</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  |
| <b>190/290</b> | <b>Total Assets</b>  | <b>1,207,050</b>  | <b>109,838</b>   | <b>46,494</b>   | <b>56,882</b>   | <b>157,065</b>  | <b>36,649</b>   |
|                | <b>Liabilities and Equity</b>                              |   |  |   |   |   |   |
| 311            | Bank Overdraft   | -   | -  | -   | -   | -   | -   |
| 312            | Accounts Payable <= 90 Days                                | 43,701  | 829  | 718   | 939   | 1,381   | -   |
| 331            | Accounts Payable - HUD PHA Programs                        | 16  | 2,667  | 7,488   | 4,596   | 3,726   | 4,771   |
| <b>310</b>     | <b>Total Current Liabilities</b>                           | <b>43,717</b>   | <b>3,496</b>   | <b>8,206</b>  | <b>5,535</b>  | <b>5,107</b>  | <b>4,771</b>  |
| <b>350</b>     | <b>Total Noncurrent Liabilities</b>                        | <b>-</b>  | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  |
| <b>300</b>     | <b>Total Liabilities</b>                                   | <b>43,717</b>   | <b>3,496</b>   | <b>8,206</b>  | <b>5,535</b>  | <b>5,107</b>  | <b>4,771</b>  |
| 508            | Total Contributed Capital                                  | -   | -  | -   | -   | -   | -   |
| 508.4          | Net Investment in Capital Assets                           | -   | -  | -   | -   | -   | -   |
| 509.2          | Fund Balance Reserved                                      | -   | -  | -   | -   | -   | -   |
| 511.4          | Restricted Net Position                                    | 16  | 2,667  | 7,488   | 4,596   | 3,726   | 4,771   |
| 512.4          | Unrestricted Net Position                                  | 1,163,317   | 103,675  | 30,800  | 46,751  | 148,232   | 27,107  |
| <b>513</b>     | <b>Total Equity/Net Assets</b>                             | <b>1,163,333</b>  | <b>106,342</b>   | <b>38,288</b>   | <b>51,347</b>   | <b>151,958</b>  | <b>31,878</b>   |
| <b>600</b>     | <b>Total Liabilities and Equity/Net Assets</b>             | <b>1,207,050</b>  | <b>109,838</b>   | <b>46,494</b>   | <b>56,882</b>   | <b>157,065</b>  | <b>36,649</b>   |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**HOUSING AND URBAN DEVELOPMENT -**  
**SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2025**

|                                 |  |                   |                |               |                |                |               |
|---------------------------------|--|-------------------|----------------|---------------|----------------|----------------|---------------|
| <b>Revenue</b>                  |  |                   |                |               |                |                |               |
| 70500                           | Total Tenant Revenue   | -                 | -              | -             | -              | -              | -             |
| 70600                           | HUD PHA Operating Grants   | 14,881,670        | 94,102         | 73,365        | 119,057        | 80,489         | -             |
| 71100                           | Investment Income - Unrestricted   | -                 | -              | -             | -              | -              | -             |
| 72000                           | Investment Income - Restricted   | 1,724             | 1              | 1             | 1              | 2              | -             |
| <b>700</b>                      | <b>Total Revenue</b>   | <b>14,883,394</b> | <b>94,103</b>  | <b>73,366</b> | <b>119,058</b> | <b>80,491</b>  | <b>-</b>      |
| <b>Expenses</b>                 |  |                   |                |               |                |                |               |
| 91100                           | Administrative Salaries  | 317,458           | 5,560          | 4,818         | 6,301          | 9,266          | -             |
| 91200                           | Auditing Fees  | 13,644            | 130            | 113           | 147            | 217            | -             |
| 91500                           | Employee Benefit Contribution - Administrative   | 159,981           | 2,790          | 2,418         | 3,162          | 4,650          | -             |
| 91600                           | Office Expense   | 33,976            | 636            | 551           | 721            | 1,060          | -             |
| 91800                           | Travel   | 13,912            | 10             | 9             | 11             | 17             | -             |
| 91900                           | Other  | 116,734           | 2,004          | 1,736         | 2,271          | 3,339          | -             |
| <b>96900/91000</b>              | <b>Total Operating Expenses</b>  | <b>655,705</b>    | <b>11,130</b>  | <b>9,645</b>  | <b>12,613</b>  | <b>18,549</b>  | <b>-</b>      |
| <b>97000</b>                    | <b>Excess Operating Revenue over Operating Expenses</b>                                | <b>14,227,689</b> | <b>82,973</b>  | <b>63,721</b> | <b>106,445</b> | <b>61,942</b>  | <b>-</b>      |
| 97300                           | Housing Assistance Payments  | 14,068,515        | 77,817         | 59,251        | 100,601        | 53,347         | -             |
| <b>90000</b>                    | <b>Total Expenses</b>  | <b>14,724,220</b> | <b>88,947</b>  | <b>68,896</b> | <b>113,214</b> | <b>71,896</b>  | <b>-</b>      |
| 10100                           | Total Other Financing Sources (Uses)   | -                 | -              | -             | -              | -              | -             |
| <b>10000</b>                    | <b>Excess (Deficiency) of Operating Revenue Over (Under) Expenses</b>                  | <b>159,174</b>    | <b>5,156</b>   | <b>4,470</b>  | <b>5,844</b>   | <b>8,595</b>   | <b>-</b>      |
| <b>Memo Account Information</b> |  |                   |                |               |                |                |               |
| 11020                           | Debt Principal Payments - Enterprise Funds   | -                 | -              | -             | -              | -              | -             |
| 11030                           | Beginning Equity   | 1,004,159         | 101,186        | 33,818        | 45,503         | 143,363        | 31,878        |
| 11040                           | Prior Period Adjustments, Equity Transfers and Correction of Errors                    | -                 | -              | -             | -              | -              | -             |
| 11130                           | Maximum Annual Contributions Commitment (per ACC)                                      | 15,210,903        | 102,972        | 78,178        | 111,590        | 105,320        | -             |
| 11140                           | Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months | -                 | -              | -             | -              | -              | -             |
| 11150                           | Contingency Reserve, ACC Program Reserve   | 2,017,023         | 85,500         | 12,586        | 28,743         | 66,506         | 36,622        |
| <b>11160</b>                    | <b>Total Annual Contributions Available</b>  | <b>17,227,926</b> | <b>188,472</b> | <b>90,764</b> | <b>140,333</b> | <b>171,826</b> | <b>36,622</b> |
| 11190/11200                     | Unit Months Available  | 30,371            | 180            | 156           | 204            | 300            | -             |
| 11210                           | Number of Unit Months Leased   | 30,371            | 168            | 133           | 200            | 249            | -             |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**ADJUSTED NET WORTH CALCULATION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Adjusted net worth calculation**

|  |                   |
|--|-------------------|
| Stockholder's equity per statement of financial condition at end of reporting period | <u>\$ 280,805</u> |
|--|-------------------|

Less:

Itemized unacceptable assets

1. Due from state agencies

|  |                 |
|--|-----------------|
|  | <u>\$ (294)</u> |
|--|-----------------|

2.

|  |             |
|--|-------------|
|  | <u>\$ -</u> |
|--|-------------|

3.

|  |             |
|--|-------------|
|  | <u>\$ -</u> |
|--|-------------|

Total unacceptable assets

|  |                 |
|--|-----------------|
|  | <u>\$ (294)</u> |
|--|-----------------|

Adjusted net worth

|  |                          |
|--|--------------------------|
|  | <u><u>\$ 280,511</u></u> |
|--|--------------------------|

**B. Required net worth calculation**

|  |                   |
|--|-------------------|
| Unpaid principal balance of securities outstanding<br>(Note: number of pools = 40) | <u>\$ 126,741</u> |
|--|-------------------|

Plus:

|   |             |
|---|-------------|
| Outstanding balance of commitment authority<br>issued and requested | <u>\$ -</u> |
|---|-------------|

Total outstanding portfolio and authority

|  |                   |
|--|-------------------|
|  | <u>\$ 126,741</u> |
|--|-------------------|

Required net worth

|  |                        |
|--|------------------------|
|  | <u><u>\$ 2,944</u></u> |
|--|------------------------|

**C. Excess (deficit) net worth**

(Adjusted net worth - required net worth)

|  |                          |
|--|--------------------------|
|  | <u><u>\$ 277,567</u></u> |
|--|--------------------------|

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**INSURANCE COVERAGE SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Identification of affiliated Ginnie Mae issuers**

|  |      |
|--|------|
| Affiliated Ginnie Mae issuers<br>(Issuer name and Ginnie Mae issuer identification code) | None |
|--|------|

|  |      |
|--|------|
| Affiliated issuers on same insurance policies<br>(Issuer name and Ginnie Mae issuer identification number) | None |
|--|------|

**B. Required insurance calculation**

|                      |            |
|----------------------|------------|
| Servicing portfolio  |            |
| Ginnie Mae           | \$ 126,741 |
| Conventional (other) | 2,098,355  |

|                           |             |
|---------------------------|-------------|
| Total servicing portfolio | \$2,225,096 |
|---------------------------|-------------|

|                                 |       |
|---------------------------------|-------|
| Required fidelity bond coverage | 2,750 |
|---------------------------------|-------|

|   |       |
|---|-------|
| Required mortgage servicing errors and omissions coverage | 2,750 |
|---|-------|

**C. Verification of insurance coverage**

|   |       |
|---|-------|
| Fidelity bond coverage at end of reporting period | 3,000 |
|---|-------|

|  |       |
|--|-------|
| Mortgage servicing errors and omissions coverage at end<br>of reporting period | 3,750 |
|--|-------|

**D. Excess (deficit) insurance coverage**

|                        |     |
|------------------------|-----|
| Fidelity bond coverage | 250 |
|------------------------|-----|

|  |       |
|--|-------|
| Required servicing errors and omissions coverage | 1,000 |
|--|-------|

**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, 2025**  
(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        |      | - %          |
|  |      | <u>Meets</u> |
| 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                | \$ 280,511  |              |
| Total assets                            | \$2,818,952 |              |
|   |             | <u>Meets</u> |
| Total adjusted net worth / total assets | 9.95%       | Yes          |

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**LIQUID ASSET REQUIREMENT CALCULATION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

A. Liquid asset calculation

|  |  |          |
|--|--|----------|
| Required net worth (from adjusted<br>net worth calculation, page 69) |  | \$ 2,944 |
|--|--|----------|

Acceptable liquid assets

|                              |           |  |
|------------------------------|-----------|--|
| 1. Cash and cash equivalents | \$ 19,731 |  |
|------------------------------|-----------|--|

|                     |  |           |
|---------------------|--|-----------|
| Total liquid assets |  | \$ 19,731 |
|---------------------|--|-----------|

B. Required liquid asset

|   |      |                       |
|---|------|-----------------------|
|   |      | Meets<br>Requirement? |
| Excess (deficit) liquid<br>(Total liquid assets / required net worth) | 670% | Yes                   |

**INDEPENDENT AUDITOR'S 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 Kelly Armstrong  
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, 2025, 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 November 24, 2025.

## **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 were not 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**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**SUMMARY OF NORTH DAKOTA  
HOUSING FINANCE AGENCY AUDIT  
FOR FISCAL YEAR ENDED JUNE 30, 2025  
PREPARED BY BRADY MARTZ  
November 24, 2025**

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

**Type of Opinion:** Unmodified

**Summary of findings/recommendations:** There was one compliance funding noted, see page 82 for further details.

**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 \$63,782  
Prior audit \$55,375

November 24, 2025

Governor Kelly Armstrong  
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, 2025. 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 6, 2025. 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. As described in Note 1, the Agency changed accounting policies related to compensated absences by adopting GASB Statement No. 101, *Compensated Absences*, during the current year. 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.

*Compensated absences* – Management’s estimate of compensated absences is based on the days-used approach and the LIFO approach. We evaluated the key factors and assumptions used to determine future compensated absences 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 November 24, 2025.

### *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 and liquid asset requirement calculation, 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,

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**