South Dakota Housing Development Authority

Financial Report

June 30, 2016 and 2015

Independent Auditor's Report

To The Chairman and Members of the
Board of Commissioners
South Dakota Housing Development Authority
(A component Unit of the State of South Dakota)
Pierre, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of South Dakota Housing Development Authority, a component unit of the State of South Dakota, which comprise the statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Dakota Housing Development Authority, as of June 30, 2016 and 2015, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the Schedule of Authority's Contributions, Schedule of Authority's Proportionate Share of Net Pension Liability (Asset) and Notes to Required Supplementary Information on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Dakota Housing Development Authority's financial statements. The supplementary schedules set forth on pages 43 through 50 are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of South Dakota Housing Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
October 14, 2016

This section of the South Dakota Housing Development Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2016 (FY 2016) and 2015 (FY 2015). This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, notes to the financial statements, and supplementary information.

The Authority

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

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

Basic Financial Statements

The basic financial statements include three required statements and the accompanying Notes to the Financial Statements. The three required statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, the Statement of Cash Flows.

The Statement of Net Position provides information about the liquidity and solvency of the Authority by indicating the nature and the amounts of investments in resources (assets), its deferred outflows of resources, obligations to Authority creditors (liabilities), its deferred inflows of resources and its resulting net position. Net position represents the amount of total assets, plus deferred outflows of resources, less total liabilities, less deferred inflows of resources. The organization of the statement separates assets and liabilities into current and non-current components.

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

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

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

Changes in Financial Position

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2016, FY 2015 and FY 2014 for the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position of the Authority:

Changes in Statement of Revenues, Expenses, and Net Position
(In Millions of Dollars)

	FY 2016	FY 2015	FY 2014	% Change 2016/2015	% Change 2015/2014
Revenues:					
Interest on mortgages	$ 31.5	$ 39.1	$ 47.1	-19.4%	-17.0%
Investment income	18.2	17.6	18.6	3.4%	-5.4%
Increase (decrease) in fair market value of investments and program MBS	16.8	3.3	3.2	409.1%	3.1%
HUD contributions	27.7	27.9	30.6	-0.7%	-8.8%
Other income	7.0	5.3	10.6	32.1%	-50.0%
Total revenues	$ 101.2	$ 93.2	$ 110.1	8.6%	-15.3%
Expenses:					
Interest	$ 31.1	$ 36.5	$ 42.6	-14.8%	-14.3%
Servicer fees	1.8	2.2	2.5	-18.2%	-12.0%
Arbitrage rebate provision (benefit)	-	(0.1)	0.1	-100.0%	-200.0%
General and administrative	6.8	6.4	6.9	6.2%	-7.2%
Housing assistance payments	23.7	23.2	23.4	2.2%	-0.9%
Other	11.9	8.8	8.9	35.2%	-1.1%
Total expenses	75.3	77.0	84.4	-2.2%	-8.8%
Change in net position	$ 25.9	$ 16.2	$ 25.7	59.9%	-37.0%

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

	FY 2016	FY 2015	FY 2014*	% Change 2016/2015	% Change 2015/2014
Assets:					
Cash and equivalents	$ 229.6	$ 144.6	$ 122.3	58.8%	18.2%
Investments	637.7	601.1	610.6	6.1%	-1.6%
Mortgages and securities	663.6	803.5	956.3	-17.4%	-16.0%
Line of credit receivable	34.3	32.2	-	6.5%	-
Interest receivable	5.2	6.2	7.5	-16.1%	-17.3%
Capital assets	5.8	5.9	6.3	-1.7%	-6.3%
Other	9.5	11.3	11.1	-15.9%	1.8%
Total assets	1,585.7	1,604.8	1,714.1	-1.2%	-6.4%
Deferred Outflows of Resources					
Deferred loss on refunding	0.9	0.7	1.3	28.6%	-46.2%
Deferred forward contract outflow	0.3	-	0.2	-	-100.0%
Deferred swap outflow	10.1	12.0	18.4	-15.8%	-34.8%
Related to pensions	1.3	1.0	-	30.0%	-
Total assets and deferred outflows	$ 1,598.3	$ 1,618.5	$ 1,734.0	-1.2%	-6.7%
Liabilities:					
Current bonds payable	$ 36.9	$ 33.5	$ 29.2	10.1%	14.7%
Interest payable	4.7	5.5	6.6	-14.5%	-16.7%
Fair value of interest rate swaps	10.4	12.0	18.6	-13.3%	-35.5%
Other	12.4	13.1	13.1	-5.3%	0.0%
Noncurrent bonds payable	1,004.4	1,051.6	1,181.8	-4.5%	-11.0%
Total liabilities	1,068.8	1,115.7	1,249.3	-4.2%	-10.7%
Deferred Inflows of Resources					
Deferred forward contract inflow	-	0.1	-	-100.0%	-
Gain on Refunding	1.1	-	-	-	-
Related to pensions	1.0	1.2	-	-16.7%	-
Total liabilities and deferred inflows	1,070.9	1,117.0	1,249.3	-4.1%	-10.6%
Net Position:					
Net investment in capital assets	(0.5)	(0.4)	(0.2)	25.0%	100.0%
Restricted by state statute	14.0	14.0	16.0	0.0%	-12.5%
Restricted for pension benefits	0.9	0.8	-	12.5%	-
Restricted by bond indentures	441.4	416.7	401.2	5.9%	3.9%
Restricted by HOME and NSP program	71.6	70.4	67.7	1.7%	4.0%
Total net position	527.4	501.5	484.7	5.2%	3.5%
Total liabilities, deferred inflows, and net position	$ 1,598.3	$ 1,618.5	$ 1,734.0	-1.2%	-6.7%

**Due to the implementation of GASB 68 in FY2015, figures may not be comparable to prior years for some areas of the financial statements.*

Financial Highlights for FY 2016

- Total operating revenues increased 8.6% to $101.2 million for FY 2016, from $93.2 million in FY 2015. The main factor contributing to this increase was the fair market gain recognized on investments.

- Total operating expenses decreased 2.2% to $75.3 million for FY 2016, from $77.0 million in FY 2015. The primary components of the decrease were servicer fees and interest expense. The decrease in servicer fees is from the shrinking homeownership loan portfolio; and the decrease in interest expense is caused by the decrease in bonds outstanding at year end.

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- Net position of the Authority for FY 2016 was $527.4 million, which represented an increase of $25.9 million, or 5.2%, from the FY 2015 net position level.

- Mortgage loans receivable, net of adjustments for the potential for loan loss was $663.6 million for FY 2016, which represented a decrease of $139.9 million, or 17.4% for FY 2016, from the FY 2015 level of $803.5 million. In the last of half of FY 2012, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans, as long as bonds can be issued to finance these purchases, otherwise the MBS will be sold to investors and will not become part of the portfolio.

- The line of credit receivable is a credit line in the maximum amount of $40 million provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of $34,346,542 for FY 2016 and $32,141,991 for FY 2015.

- Interest received on mortgage loans was $31.5 million for FY 2015, which represented a decrease of $7.6 million from the $39.1 million reported in FY 2015. As the loan balance decreased, so did the interest received on loans.

- Investment income was $18.2 million for FY 2016, which represented an increase of $0.6 million, or 3.4% in FY 2016, from $17.6 million in FY 2015 due to the additional assets in FY 2016. The fair market value increased by $16.8 million in FY 2016 and increased by $3.3 million in FY 2015. The FY 2016 fair market increase was a result of lower interest rates at fiscal year end. Ignoring the effects of the net increase (decrease) in fair market value of investments, the change in net position would have been $9.1 million for FY 2016 compared to $12.8 million for FY 2015. The decrease in net position was from the lower return on investments.

- Deferred outflows of resources from interest rate swaps at the end of FY 2016 decreased to $10.1 million from $12.0 million at the end of FY 2015, or 15.8%. The Authority did enter into a new swap in FY 2016 but the net decrease was a result of two swap terminations at par and the remaining swaps getting closer to their optional par termination dates.

- Bonds and notes outstanding of the Authority were $1,041.3 million for FY 2016, which was a decrease of $43.8 million, or 4.0% in FY 2016, from $1,085.1 million in FY 2015 due to more bonds being redeemed or maturing during the year than bonds being issued.

- Interest expense on bonds and notes outstanding decreased $5.4 million, or 14.8% in FY 2016, from $36.5 million in FY 2015 as a result of fewer bonds outstanding during the year.

- The Authority performed an operating transfer of $3.8 million from the Homeownership Mortgage Loan Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program and 0.5% of the outstanding loan balance of the Single Family Mortgage Loan Program to the General Operating Account to pay for operating expenses. Also making up part of the $3.8 million transfer from the Homeownership Mortgage Loan Program was a transfer to purchase materials for the new 3 bedroom Governor's House Program. Sales of these new homes will go towards repaying this transfer.

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Financial Highlights for FY 2015

- Total operating revenues decreased 15.3% to $93.2 million for FY 2015, from $110.1 million in FY 2014. The main factor contributing to this decrease is the runoff of the homeownership loan balance as repayments and prepayments have shrunken the portfolio size. Also contributing to the decrease was the $7.5 million we received in FY 2014 but not in FY 2015 from the State of South Dakota to administer the Housing Opportunity Fund.

- Total operating expenses decreased 8.8% to $77.0 million for FY 2015, from $84.4 million in FY 2014. The primary components of the decrease were servicer fees and interest expense. The decrease in servicer fees is from the shrinking homeownership loan portfolio; and the decrease in interest expense is caused by the $125.9 million decrease in bonds outstanding at year end.

- Net position of the Authority for FY 2015 was $501.5 million, which represented an increase of $16.8 million, or 3.5%, from the FY 2014 net position level.

- Mortgage loans receivable, net of adjustments for the potential for loan loss was $803.5 million for FY 2015, which represented a decrease of $152.8 million, or 16.0% for FY 2015, from the FY 2014 level of $956.3 million. In the last of half of FY 2012, the Authority changed its business model from purchasing homeownership loans to purchasing mortgage-backed securities (MBS) secured by homeownership loans. As a result, the homeownership loan portfolio, now in runoff, will continue to shrink as repayments and prepayments are no longer offset by new loans. Instead, the portion of investments represented by MBS will increase as they are purchased in place of loans, as long as bonds can be issued to finance these purchases, otherwise the MBS will be sold to investors and will not become part of the portfolio.

- The line of credit receivable is a credit line in the maximum amount of $40 million provided to the Authority's master servicer to purchase mortgage loans until they can be securitized and delivered back as securities. The line of credit had a balance of $32,141,991 for FY 2015 and $0 for FY 2014.

- Interest received on mortgage loans was $39.1 million for FY 2015, which represented a decrease of $8.0 million from the $47.1 million reported in FY 2014. As the loan balance decreased, so did the interest received on loans.

- Investment income was $17.6 million for FY 2015, which represented a decrease of $1.0 million, or 5.4% in FY 2015, from $18.6 million in FY 2014 due to the additional assets in FY2015. The fair market value increased by $3.3 million in FY 2015 and increased by $3.2 million in FY 2014. The FY 2015 fair market increase was a result of lower interest rates at fiscal year end. Ignoring the effects of the net increase (decrease) in fair market value of investments, the change in net position would have been $12.9 million for FY 2015 compared to $22.5 million for FY 2014. The decrease in net position was primarily due to the one time revenue of $7.5 million for the Housing Opportunity Fund in FY 2014.

- Deferred outflows of resources from interest rate swaps at the end of FY 2015 decreased to $12.0 million from $18.4 million at the end of FY2014, or 34.8%. The decrease was a result of two swap terminations at par and the remaining swaps getting closer to their optional par termination dates.

- Bonds and notes outstanding of the Authority were $1,085.1 million for FY 2015, which was a decrease of $125.9 million, or 10.4% in FY 2015, from $1,211.0 million in FY 2014 due to more bonds being redeemed or maturing during the year than bonds being issued.

- Interest expense on bonds and notes outstanding decreased $6.1 million, or 14.3% in FY 2015, from $42.6 million in FY 2014 as a result of fewer bonds outstanding during the year.

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- The Authority performed an operating transfer of $2.8 million from the Homeownership Mortgage Loan Program to the Single Family Mortgage Loan Program ($0.4 million) and the General Operating Account (2.4) million. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program and 0.5% of the outstanding loan balance of the Single Family Mortgage Loan Program to the General Operating Account to pay for operating expenses. Also making up part of the $2.8 million transfer from the Homeownership Mortgage Loan Program was a transfer to purchase materials for the new 3 bedroom Governor's House Program. Sales of these new homes will go towards repaying this transfer.

Loan Portfolio Activity for FY 2016 and FY 2015

The Authority's loan portfolio is comprised of single family and multifamily development loans for low- and moderate-income individuals and families. The Homeownership Mortgage Loan Program is the Authority's largest single category of assets. Amortizing homeownership loans at fixed interest rates, secured by first mortgages, continue to be the dominant loan product offered by the Authority.

In April 2012, the Authority changed its business model from purchasing whole loans financed with bond proceeds to purchasing loans and securitizing the loans into MBS. The MBS can then be held in the portfolio as an investment, sold to the secondary market using forward contracts to hedge the interest rate risk, or financed with bond proceeds (if the market allows).

In February 2013 the Authority implemented the Mortgage Credit Certificate (MCC) program to utilize bonding authority that was set to expire. The MCC gives the Authority a competitive advantage over the conventional market by allowing the borrower a tax credit on their income tax return which in return allows a lower effective annual percentage rate on their loan.

The Homeownership Mortgage Loan Program purchased approximately $250 million of MBS's during FY 2016 compared to $163 million in FY 2015.

Debt Administration

The Authority is authorized to issue debt to purchase or originate mortgage loans on single family and multifamily residential properties. As of FY 2016, the Authority had $1,041.3 million in bonds outstanding, a 4.0% decrease from FY 2015. As of FY 2015, the Authority had $1,085.1 million in bonds outstanding, a 10.4% decrease from FY 2014.

The Authority issued a total of $174.7 million in bonds in FY 2016 as new long-term debt. Of that amount, $130.0 million was used to finance the Homeownership Mortgage Loan Program and $44.7 million was used to refund existing bonds. No bonds were issued to preserve bonding authority. During FY 2016, the Agency chose to convert $193.4 million of bonding authority to MCC authority in another effort to support first-time homebuyers. The Authority issued a total of $197.3 million in bonds in FY 2015. Of that total, $50.0 million was issued as new long-term debt and $147.3 was used to refund existing bonds. During FY 2015, the Agency chose to convert $229.8 million of bonding authority to MCC authority in another effort to support first-time homebuyers. No bonds were issued to preserve bonding authority.

The Authority retired or paid at maturity a total of $219.7 million in bonds in FY 2016. $186.2 million was redeemed from prepayments and excess reserves and $33.5 million was maturing principal. The Authority retired or paid at maturity a total of $323.2 million in bonds in FY 2015. $294.0 million was redeemed from prepayments and excess reserves and $29.2 million was maturing principal.

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The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2016 and FY 2015, and rated Aaa by Moody's Investors Service after a rating upgrade during FY 2016 from Aa1 in FY 2015. In FY 2016 and FY 2015, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. In FY 2016 and FY 2015, the Authority's Single Family Mortgage Bonds were rated Aa3 by Moody's Investors Service. Moody's Investors Service has given the Authority an Issuer Rating of Aa3.

More detailed information about the Authority's debt can be found in Note 6, Bonds Payable.

Capital Assets

Capital assets decreased by $0.1 million in FY 2016 from $5.9 million in FY2015. This net change is due primarily to the amortization of existing assets.

Capital assets decreased by $0.4 million in FY 2015 from $6.3 million in FY 2014. This net change is due to the amortization of existing assets.

More detailed information about the Authority's capital assets can be found in Note 14, Capital Assets.

Economic Outlook

Economic conditions in South Dakota are relatively good in comparison to the rest of the nation due to prudent fiscal policy. The State of South Dakota operates on a balanced budget and the State's pension fund is close to 100% funded. The State's foreclosure rate of 0.76%, delinquency rate of 2.60% and unemployment rate of 2.7% are well below the national averages. These percentages, along with stable home prices, have all contributed to the success of the Authority over the past five years. Going forward the Authority will try to maximize its return on investments and will continue to look for innovative ways to finance the Authority's Single and Multifamily programs.

Overview

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

Assets	**2016**	2015
Current Assets		
Cash and cash equivalents (Note 3)	**$ 229,587,057**	$ 144,637,679
Investment securities - other (Note 3)	**20,870,807**	33,937,975
Investments - program mortgage-backed securities (Note 3)	**38,885,151**	25,359,348
Mortgage loans receivable, net (Note 4)	**69,226,543**	42,297,452
Guaranteed mortgage securities (Note 2)	**7,352,345**	648,039
Interest receivable	**5,151,199**	6,118,708
Other receivables	**4,216,490**	2,941,768
Other assets	**3,371,335**	3,184,643
Hedging derivatives (Note 8)	**-**	43,385
Total Current Assets	**378,660,927**	259,168,997
Noncurrent Assets		
Investment securities - other (Note 3)	**285,846,891**	351,352,117
Investments - program mortgage-backed securities (Note 3)	**292,052,303**	190,464,894
Mortgage loans receivable, net (Note 4)	**563,345,655**	722,518,863
Guaranteed mortgage securities (Note 2)	**23,707,250**	38,019,908
Line of credit receivable	**34,346,542**	32,141,991
Other receivables	**1,949,450**	5,163,785
Furniture and equipment, at cost, less accumulated depreciation	**1,013,666**	994,206
Building, at cost, less accumulated depreciation	**3,986,895**	4,112,628
Land improvement, at cost, less accumulated depreciation	**578,879**	616,675
Land	**220,410**	220,409
Total Noncurrent Assets	**1,207,047,941**	1,345,605,476
Total Assets	**1,585,708,868**	1,604,774,473
Deferred Outflows of Resources		
Loss on refunding	**878,596**	725,240
Forward contracts	**340,039**	-
Swaps (Note 8)	**10,135,179**	11,984,465
Related to pensions (Note 13)	**1,306,013**	994,910
Total Assets and Deferred Outflows of Resources	**$ 1,598,368,695**	$ 1,618,479,088
Liabilities		
Current Liabilities		
Bonds payable (Note 6)	**$ 36,932,512**	$ 33,519,838
Accrued interest payable	**4,661,254**	5,476,658
Accounts payable and other liabilities (Note 17)	**2,133,799**	1,540,891
Multifamily escrows and reserves	**9,280,435**	10,632,673
Total Current Liabilities	**53,008,000**	51,170,060
Noncurrent Liabilities		
Bonds payable (Note 6)	**1,004,374,206**	1,051,561,982
Accounts payable and other liabilities (Note 17)	**950,768**	950,768
Hedging derivatives (Note 8)	**10,475,218**	11,984,465
Total Noncurrent Liabilities	**1,015,800,192**	1,064,497,215
Total Liabilities	**1,068,808,192**	1,115,667,275
Deferred Inflows of Resources		
Forward contracts (Note 8)	**-**	43,385
Gain on refunding	**1,125,623**	-
Related to pensions (Note 13)	**1,043,630**	1,283,313
Total Liabilities and Deferred Inflows of Resources	**1,070,977,445**	1,116,993,973
Net Position		
Net investment in capital assets	**(525,150)**	(441,082)
Restricted for pension benefits	**950,948**	819,652
Restricted by state statue	**13,983,445**	14,046,934
Restricted by bond indentures	**441,375,935**	416,628,612
Restricted by HOME and NSP Program	**71,606,072**	70,430,999
Total Net Position	**527,391,250**	501,485,115
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 1,598,368,695**	$ 1,618,479,088

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30

Operating Revenues		**2016**		2015
Interest income on mortgage loans and guaranteed mortgage securities	**$**	**31,538,734**	$	39,075,911
Earnings on investments and program mortgage-backed securities		**18,161,072**		17,594,905
Net increase in the fair market value of investments and program mortgage-backed securities		**16,757,258**		3,336,718
HUD contributions		**27,697,615**		27,905,512
Other income		**7,009,480**		5,250,736
Total Operating Revenues		**101,164,159**		93,163,782
Operating Expenses				
Interest		**31,090,434**		36,521,835
Housing assistance payments		**23,723,492**		23,183,186
Servicer fees		**1,766,273**		2,193,334
Arbitrage rebate expense (benefit)		**29,439**		(123,999)
General and administrative		**6,745,391**		6,429,656
Bond financing costs		**2,402,015**		2,492,217
Other housing programs		**7,745,081**		5,539,227
Provision for loan loss		**1,755,899**		753,021
Total Operating Expenses		**75,258,024**		76,988,477
Change in net position		**25,906,135**		16,175,305
Net position, beginning of fiscal year		**501,485,115**		485,309,810
Net Position, End of Fiscal Year	**$**	**527,391,250**	$	501,485,115

	2016	2015
Cash Flows Provided by Operating Activities		
Receipts from loan payments and program mortgage-backed securities	**$ 450,058,842**	$ 273,345,065
Receipts for program fees	**8,439,377**	7,712,975
Receipts from federal housing programs	**27,697,615**	27,905,512
Payments for loan programs and program mortgage-backed securities	**(375,741,133)**	(191,670,223)
Payments for operating expenses	**(4,591,335)**	(5,589,164)
Payments to employees	**(4,025,378)**	(3,610,034)
Payments for federal housing programs	**(23,723,492)**	(23,183,186)
Payments for other housing programs	**(8,201,426)**	(6,091,853)
Net Cash Provided by Operating Activities	**69,913,070**	78,819,092
Cash Flows Used in Noncapital Financing Activities		
Proceeds from sale of bonds	**178,651,095**	200,065,948
Principal paid on bonds	**(219,657,611)**	(323,155,027)
Interest paid on bonds	**(33,632,050)**	(39,863,600)
Bond issuance costs paid	**(2,402,015)**	(2,492,217)
Net Cash Used in Noncapital Financing Activities	**(77,040,581)**	(165,444,896)
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital fixed assets	**(246,530)**	(126,223)
Principal paid on bonds	**(60,000)**	(60,000)
Interest paid on capital debt	**(10,105)**	(7,890)
Net Cash Used in Capital and Related Financing Activities	**(316,635)**	(194,113)
Cash Flows Provided by Investing Activities		
Purchase of investment securities	**(167,519,130)**	(161,204,102)
Proceeds from sale and maturities of investment securities	**250,569,455**	256,475,895
Interest received on investments	**9,343,199**	13,876,592
Net Cash Provided by Investing Activities	**92,393,524**	109,148,385
Change in Cash and Cash Equivalents	**84,949,378**	22,328,468
Cash and Cash Equivalents, Beginning of Year	**144,637,679**	122,309,211
Cash and Cash Equivalents, End of Year	**$ 229,587,057**	$ 144,637,679
Reconciliation of Operating Income to Cash Flows Provided by Operating Activities		
Operating income	**$ 25,906,135**	$ 16,175,305
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest on bonds payable	**31,090,434**	36,521,835
Net increase in fair market value of investments	**(16,757,258)**	(3,336,718)
Interest from investments	**(10,196,260)**	(13,443,142)
Bond financing costs	**2,402,015**	2,492,217
Provision for loan loss	**1,755,899**	753,021
Depreciation	**455,137**	439,860
Changes in assets and liabilities		
Loan interest receivable	**660,095**	1,240,814
Accounts payable and other liabilities	**683,134**	(57,246)
Mortgage loans receivable	**139,898,633**	152,076,883
Investments - program mortgage-backed securities	**(103,540,014)**	(82,728,538)
Line of credit receivable	**(2,204,551)**	(32,141,991)
Other receivables	**1,429,897**	2,509,043
Other assets	**(186,692)**	(740,721)
Decrease/(increase) related to pensions	**(131,296)**	(224,653)
Multifamily escrows and reserves	**(1,352,238)**	(716,877)
Net Cash Provided by Operating Activities	**$ 69,913,070**	$ 78,819,092

Note 1 - Authorizing Legislation and Indentures:

Authorizing Legislation:

The South Dakota Housing Development Authority (the Authority) was created in 1973 by an Act of the South Dakota Legislature. The Authority was established for the purpose of encouraging the investment of private capital and stimulating the construction and rehabilitation of residential housing for the people of the State through the use of public financing including public construction, public loans, public purchase of mortgages and otherwise. The Authority may issue notes and bonds in principal amounts specifically approved by the Governor. The Internal Revenue Code of 1986 established a state ceiling for qualified private activity bonds applicable to the State of South Dakota for any calendar year. The calendar year state allocation for South Dakota is $302,875,000 for 2016. Amounts issued by the Authority shall not be deemed to constitute a debt of the State of South Dakota or any political subdivision thereof. The Authority is a business-type activity component unit of the State of South Dakota. As such, the accompanying financial statements are included in the Comprehensive Annual Financial Report of the State of South Dakota.

Description of Reporting Entity:

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

General Operating Account:

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

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

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

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

Homeownership Mortgage Bonds:

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

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Single Family Mortgage Bonds:

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

Multiple Purpose Bonds:

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

Multifamily Housing Revenue Bonds:

This indenture, established under the Multifamily Housing Revenue Bonds Resolution adopted April 15, 1991, is prescribed for accounting for proceeds from the sale of Multifamily Housing Revenue Bonds to provide funds to make, acquire or otherwise finance loans from multifamily housing developments, or to purchase guaranteed mortgage pass-through certificates to be issued and guaranteed as to timely payment of principal and interest by the Government National Mortgage Association (GNMA).

Multifamily Mortgage Pass-Through Bonds:

This indenture, established under the Mortgage Pass-Through Certificates Resolution adopted June 27, 1995, is prescribed for accounting for proceeds from the sale of Mortgage Pass-Through Certificate Bonds to provide funds to acquire mortgage pass-through certificates. The Bonds are special, limited obligations of the Authority, payable solely from revenues and assets held in and receivable by Funds and Accounts established under the Bond Resolution.

Multifamily Risk Sharing Bonds:

This indenture, established under the Multifamily Housing Revenue Bonds Series 1999 Resolution adopted July 1, 1999, is prescribed for accounting for proceeds from the sale of Multifamily Housing Revenue Bonds to provide funds to finance loans for multifamily housing developments. The Bonds are special limited obligations of the Authority, payable solely from revenues and assets held in and receivable by Funds and Accounts established under the Bond Resolution.

Note 2 - Significant Accounting Policies:

Basis of Presentation:

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

Basis of Accounting:

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

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Interest Income:

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

Statements of Cash Flows:

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

Investment Securities:

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

Investments -Program Mortgage-Backed Securities:

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

Fair Value:

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

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

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

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

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

Mortgage Loans Receivable:

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

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Guaranteed Mortgage Securities:

Guaranteed Mortgage Securities are mortgages on multifamily developments, the principal and interest payments of which are guaranteed by another entity. The Authority carries the securities at their amortized value.

Fee Income:

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

Receivables:

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

Bond Premiums and Discounts:

Premiums and discounts on bonds are amortized using the bonds outstanding method over the life of the bonds to which they relate.

Bond Issuance Costs:

Issuance costs on bonds are expensed as incurred.

Derivative Instruments:

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

Real Estate Owned:

Real estate owned and held for sale arises from foreclosures or other mortgage default related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family and Multifamily Program is recorded at the unpaid principal balance on the loans as of the date the loans become real estate owned. Since most of the Single Family loans are insured or guaranteed, it is anticipated that the Authority will recover a majority of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds. The Single Family amounts determined to be uncollectible are recorded as an allowance for loan loss. Recoveries for Multi-Family nonperforming loans arise from the sale of such property. Estimates for amounts considered to be uncollectible are recorded as an allowance for loan loss.

Capital Asset Policy:

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

Inventory:

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

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Pensions:

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

Arbitrage Rebate:

The Authority is limited in the investment yield which it may retain for its own use on the non-mortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the Federal Government in accordance with applicable federal tax regulations. The Authority has recorded liabilities/(receivables) in the amount of ($730,735) and ($843,933) at June 30, 2016 and 2015, respectively, for arbitrage.

Escrows and Reserves:

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

Revenue and Expense Recognition:

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

Pass-Through Grants:

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

Use of Estimates:

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

Net Position:

Net Position is classified in the following three components:

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

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Allowance for Loan Loss:

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

Note 3 - Deposits and Investments:

Under the terms of the bond resolutions, the Authority is generally restricted to investments in direct general obligations of the United States of America, agencies and instrumentalities of the United States of America, negotiable or nonnegotiable certificates of deposit issued by a bank that is insured by the FDIC, obligations of the State or any agency or instrumentality thereof, or securities that are permissible for the investment of State public funds under the provisions of § 4-5-26. As of the years ended June 30, 2016 and 2015, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2016 and 2015, of the Authority's deposits of $4,473,271 (carrying value of $4,126,308) and $1,885,292 (carrying value of $1,541,144), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The $4,468,214 and $3,336,926 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2016 and 2015, respectively, is the statutory responsibility of the South Dakota Investment Council (SDIC). The investment policy and required risk disclosures for the State's internal investment pool are presented in the audit report of the South Dakota Investment Council, which can be obtained by contacting the Department of Legislative Audit, 427 South Chapelle, c/o 500 East Capitol, Pierre, SD 57501.

Investments:

Custodial Credit Risk: For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have an investment policy for custodial risk. All investments are held in the Authority's name.

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Interest Rate Risk: The Authority limits the maturities of investments for its restricted accounts. Investments of the Capital Reserve accounts must provide for the purposes thereof as estimated by the Authority. The investments must not mature later than the final maturity of the related Series of the Bonds. The average duration of individual securities will not exceed twenty years. Investments of the Mortgage Reserve accounts must provide for the purposes thereof as estimated by the Authority. The duration of 50% of individual securities will not exceed two years from the date of purchase or deposit. The Authority assumes that its callable investments will not be called. The Authority invests in mortgage pass-through securities issued by Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, the securities are considered highly sensitive to interest rate risk. As of June 30, 2016 and 2015, 52% and 47%, respectively, of the Authority's securities were invested in mortgage pass-through securities. As of June 30, 2016 and 2015, the Authority had investments maturing as follows:

		2016 Investment Maturities (in Years)			
	Fair Value	**Less Than 1**	**1 to 5**	**6 to 10**	**Greater Than 10**
U.S Government obligations	**$ 100,598,868**	**$ 7,922,041**	**$ 65,830,680**	**$ 26,610,978**	**$ 235,169**
U.S. Agency obligations	**527,213,883**	**8,756,014**	**37,217,075**	**22,675,619**	**458,565,175**
Money market/mutual funds	**220,512,535**	**220,512,535**	**-**	**-**	**-**
Investment agreements	**646,416**	**-**	**-**	**-**	**646,416**
Certificates of deposit	**6,708,597**	**2,985,722**	**3,722,875**	**-**	**-**
State obligations	**2,977,388**	**450,780**	**1,458,937**	**1,067,671**	**-**
Total	**$ 858,657,687**	**$ 240,627,092**	**$ 108,229,567**	**$ 50,354,268**	**$ 459,446,760**

		2015 Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	$ 80,866,629	$ 5,415,024	$ 43,950,694	$ 30,982,276	$ 518,635
U.S. Agency obligations	509,160,547	25,725,568	62,394,366	25,547,906	395,492,707
Money market/mutual funds	139,759,610	139,759,610	-	-	-
Investment agreements	639,865	-	-	-	639,865
Certificates of deposit	6,441,394	1,744,274	4,697,120	-	-
State obligations	4,009,385	1,056,594	2,416,131	536,660	-
Total	$ 740,877,430	$ 173,701,070	$ 113,458,311	$ 57,066,842	$ 396,651,207

At June 30, 2016 and 2015, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

		2016		
	Homeownership Mortgage Bonds	**Single Family Mortgage Bonds**	**Multiple Purpose Bonds**	**Multifamily Risk Sharing Bonds**
Capital reserve for debt service	**$ 25,778,231**	**$ -**	**$ 3,064,283**	**$ 486,951**
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	**15,494,226**	**-**	**-**	**-**
Debt service reserve	**-**	**5,445,150**	**-**	**-**
Total	**$ 41,272,457**	**$ 5,445,150**	**$ 3,064,283**	**$ 486,951**

		2015		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Multifamily Risk Sharing Bonds
Capital reserve for debt service	$ 29,560,240	$ -	$ 3,068,178	$ 611,416
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	21,723,375	-	-	-
Debt service reserve	-	6,646,950	-	-
Total	$ 51,283,615	$ 6,646,950	$ 3,068,178	$ 611,416

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Credit Risk: It is the investment policy of the Authority to invest in securities limited to direct general obligations of the United States Government, United States Government Agencies, direct and general obligations of any state within the United States, mutual funds invested in securities mentioned above and investment agreements secured by securities mentioned above. If securities are downgraded after purchase, the Authority will analyze the reason for downgrade and determine what, if any, action is needed. Investments issued by or explicitly guaranteed by the United States Government are not considered to have a credit risk. The investments are grouped as rated by Moody's Investors Service:

Moody's Rating	**2016**	2015
Aaa	**$ 606,885,412**	$ 482,494,400
Aa	**720,782**	536,660
Unrated	**10,309,729**	10,553,984
Total	**$ 617,915,923**	$ 493,585,044

Concentration of Credit Risk: The Authority will minimize Concentration Credit Risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. At June 30, 2016, the Authority held 5% or more of their investments with the following issuers: Federal Home Loan Bank (7.06%) and Federal National Mortgage Association (21.90%). At June 30, 2015, the following issuers held 5% or more of the Authority's investments: Federal Home Loan Bank (13.78%), Federal National Mortgage Association (23.76%), and Federal Home Loan Mortgage Corporation (6.67%).

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	2016	2015
Homeownership Mortgage Loans	**$ 372,267,733**	$ 464,500,837
Single Family Mortgage Loans	**154,025,660**	192,853,642
Multiple Purpose Loans	**24,159,624**	26,430,276
Other (General Operating Account)	**82,119,180**	81,031,560
Total	**$ 632,572,197**	$ 764,816,315

The above loans are substantially insured by FHA or private mortgage insurance companies, or guaranteed in part by the VA or USDA Rural Development. Losses on mortgage loans in the Homeownership Mortgage Bond Program are also secured by an insurance reserve fund established under the bond resolution. The mortgage loans receivable are reflected net of an allowance for loan loss of $1,269,953 and $1,715,691 as of June 30, 2016 and 2015, respectively.

Some loans receivable contain provisions for the loans to become grants if certain criteria is met. The conversion of loans receivable to grants is calculated on an annual basis, though the debtor is not entitled to receive full credit until maturity of the loan agreement or upon meeting certain criteria. As loans receivable converted to grants are estimated, loans receivable is credited and a charge to operations is made through the provision for loan loss. Loans receivable includes credits of $15,403,438 and $15,003,861 as of June 30, 2016 and 2015, respectively. Upon maturity of the loan agreement or achievement of specified criteria, the applicable portion of the loan receivable balance is awarded to the debtors.

Included in the mortgage loan receivable balance is real estate owned by the Authority from foreclosures. The amount of real estate owned at June 30, 2016 and 2015 is $282,380 and $1,410,817, respectively.

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Note 5 - Line of Credit Receivable:

Effective November 1, 2014, the Authority has entered into a $40 million line of credit with its master servicer. The master servicer will use the line of credit to reimburse themselves for qualified mortgage loan purchases. The Authority receives first security position on the qualified mortgage loans being purchased as collateral. Unpaid balances on the line of credit bear interest prior to repayment at a rate per annum of equal to that of the qualified mortgage loans purchased with funds advanced to master servicer, less an amount to the master servicer for securitizing and servicing the qualified mortgage loans. The line of credit expires on December 31, 2016. The Authority is in the process of extending the line. As of June 30, 2016 and 2015, the balance of this line of credit receivable was $34,346,542 and $32,141,991, respectively.

Note 6 - Bonds Payable:

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

			2016			2015
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2005 Series K	2025	4.90%	$ -	$ -	**$ -**	$ 2,155
2006 Series A	2016-2019	4.3% - 4.5%	-	-	**-**	10,505
2006 Series B	2019-2026	4.90%	-	-	**-**	9,785
2006 Series C	2031-2037	.07%(2)	-	-	**-**	45,000
2006 Series D	2016-2019	3.85% - 4.0%	-	-	**-**	9,690
2007 Series A	2016-2019	4.05% - 4.2%	4,190	-	**4,190**	8,890
2007 Series B	2032-2036	5.50%	-	-	**-**	50
2007 Series D	2017	4.25%	370	-	**370**	5,840
2007 Series E	2027-2036	5.75%	-	-	**-**	465
2007 Series G	2017-2018	4.05% - 4.2%	2,940	-	**2,940**	5,045
2007 Series H	2022	4.95%	-	7,455	**7,455**	16,460
2007 Series I	2026-2038	.45%(2)	-	34,000	**34,000**	34,000
2008 Series A	2017-2018	4.125% - 4.375%	3,840	-	**3,840**	6,550
2008 Series B	2018-2023	5.45%	-	1,045	**1,045**	1,865
2008 Series C	2028-2039	.45%(2)	-	50,000	**50,000**	50,000
2008 Series D	2017-2019	4.15% - 4.45%	6,300	-	**6,300**	7,740
2008 Series E	2023-2038	5.375% - 6.0%	-	3,320	**3,320**	6,140
2008 Series F	2027-2039	.44%(2)	-	34,000	**34,000**	34,000
2008 Series G	2018-2023	5.85% - 6.25%	-	415	**415**	2,540
2009 Series A	2016-2039	.41%(2)	-	39,365	**39,365**	40,910
2009 Series B	2017-2021	3.35%-4.125%	13,810	-	**13,810**	20,265
2009 Series C	2027-2039	.42%(2)	-	22,000	**22,000**	22,000
2012 Series A	2016-2031	1.75%-4.5%	3,330	8,630	**11,960**	15,810
2012 Series B	2018-2026	1.85%-3.25%	10,745	7,740	**18,485**	18,980
2012 Series C	2031-2033	3.75%	-	-	**-**	1,660
2012 Series D	2016-2029	1.45%-4.0%	13,910	10,595	**24,505**	28,480
2012 Series E	2022-2025	2.80%	-	9,355	**9,355**	9,355
2012 Series F	2029-2033	3.38%	-	14,155	**14,155**	17,805
2013 Series A	2016-2030	1.25%-3.0%	3,165	5,995	**9,160**	11,090
2013 Series B	2019-2025	1.65%-3.0%	7,940	-	**7,940**	7,940
2013 Series C	2033-2038	3.55%-3.75%	-	6,395	**6,395**	7,465
2013 Series D	2043	3.25%-4.0%	-	49,226	**49,226**	56,876
2013 Series E	2016-2044	1.05%-4.0%	4,405	9,230	**13,635**	16,695
2013 Series F	2020-2044	2.45%-4.4%	7,845	13,255	**21,100**	24,190
2014 Series A	2016-2044	1.25%-4.0%	5,320	11,375	**16,695**	19,700
2014 Series B	2020-2024	2.2%-3.25%	7,750	-	**7,750**	7,750
2014 Series C	2024-2030	3.25%-3.9%	3,450	9,160	**12,610**	13,885
2014 Series D	2016-2030	.55%-3.25%	29,295	16,495	**45,790**	49,105
2014 Series E	2030-2044	4.00%	-	17,265	**17,265**	19,160
2014 Series F	2016-2034	1.05%-4.0%	15,615	16,250	**31,865**	35,715
2015 Series A	2024-2031	2.5%-3.4%	4,540	13,765	**18,305**	18,305
2015 Series B	2016-2024	.90%-3.272%	31,810	-	**31,810**	38,405
2015 Series C	2045	.46%(2)	-	30,000	**30,000**	30,000
2015 Series D	2016-2045	.50%-4.0%	21,870	26,395	**48,265**	-
2015 Series E	2027-2037	2.11%		25,000	**25,000**	
2016 Series A	2017-2036	1.2%-3.8%	21,065	23,615	**44,680**	
2016 Series B	2017-2046	.60%-3.5%	15,290	39,710	**55,000**	
Plus unamortized premium					**10,952**	9,440
Total Homeownership Mortgage Program Bonds					**$ 804,953**	$ 797,706

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.
(2) Variable rate adjusted weekly based on the current market rate for similar tax exempt bonds.

(continued on next page)

The Authority issues certain series of bonds as variable rate interest debt in order to reduce its overall cost of funds and further its objective of providing affordable mortgage rates for homebuyers in the State. The Authority's variable rate bonds are currently subject to optional tender on a weekly basis. Through standby bond purchase agreements, certain financial institutions (the Liquidity Providers) have agreed to purchase such variable rate bonds that have been tendered and cannot be remarketed. Variable rate bonds purchased by a Liquidity Provider bear interest at various special negotiated interest rates and have accelerated principal payments over various special negotiated interest rates and various terms of years, as set forth in each such agreement.

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

			2016			2015
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2010-1/2009-1A	2028-2041	3.425% - 4.24%	$ -	$ 42,810	**$ 42,810**	$ 54,860
2010-2/2009 1-B	2016-2041	2.375%-4.5%	7,080	28,495	**35,575**	44,380
2011-1/20091-C	2016-2041	2.2%-5.0%	8,520	34,720	**43,240**	50,450
2011-2/20091-D	2016-2041	2.125%-4.25%	18,185	41,695	**59,880**	71,875
Plus unamortized premium					**884**	1,134
Total Single Family Mortgage Bonds					**$ 182,389**	$ 222,699

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

Multiple Purpose Bonds require annual principal payments on November 1 of each year. Multiple Purpose Bonds outstanding at June 30 are (in thousands):

			2016			2015
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2008 Series A	2016-2048	0.59%(2)	$ -	$ 6,785	**$ 6,785**	$ 6,885
2009 Series A	2016-2048	0.59%(2)	-	6,325	**6,325**	6,385
2013 Series A	2016-2028	1.15%-3.65%	6,065	1,810	**7,875**	9,940
Total Multiple Purpose Bonds					**$ 20,985**	$ 23,210

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.
(2) Variable rate adjusted weekly based on the current market rate for similar tax exempt bonds.

Multifamily Housing Revenue Bonds require annual principal payments on April 1 of each year. Multifamily Housing Revenue Bonds outstanding at June 30 are (in thousands):

			2016			2015
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 2001	2031	0.52%(2)	$ -	$ 6,495	**$ 6,495**	$ 6,495
Series 2001	2034	0.54%(2)	-	12,150	**12,150**	13,000
Series 2002 A	2015-2033	5.25%-5.35%	-	-	**-**	2,045
Series 2004 A	2015-2033	6.15%	-	-	**-**	2,642
Country Meadow	2044	.42%(2)	-	4,920	**4,920**	4,920
Total Multifamily Housing Revenue Bonds					**$ 23,565**	$ 29,102

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.
(2) Variable rate adjusted weekly based on the current market rate for similar tax exempt bonds.

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Multifamily Risk Sharing Bonds require annual principal payments on July 1. Multifamily Risk Sharing Bonds outstanding at June 30 are (in thousands):

Bond Issue	Maturity Date	Interest Rate	2016 Serial	2016 Term (1)	2016 Total Outstanding	2015 Total Outstanding
Series 1999	2015-2040	5.75% - 5.8%	$ -	$ -	**$ -**	$ 2,770
Series 2000	2017-2032	5.85%	-	2,540	**2,540**	2,625
Series 2001	2016	5.35%	-	6,875	**6,875**	6,970
Total Multifamily Risk Sharing Bonds					**$ 9,415**	$ 12,365
Total Bonds Outstanding					**$ 1,041,307**	$ 1,085,082

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

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2016 and 2015:

	Balance July 1, 2015	**Additions**	**Deductions**	**Balance June 30, 2016**	**Amounts Due Within One Year**
Homeownership Mortgage Program Bonds	**$ 788,266,329**	**$ 174,680,000**	**$ 168,945,280**	**$ 794,001,049**	**$ 23,697,512**
Single Family Mortgage Bonds	**221,565,000**	**-**	**40,060,000**	**181,505,000**	**4,805,000**
Multiple Purpose Bonds	**23,210,000**	**-**	**2,225,000**	**20,985,000**	**1,465,000**
Multifamily Housing Revenue Bonds	**29,102,330**	**-**	**5,537,331**	**23,564,999**	**-**
Multifamily Risk Sharing Bonds	**12,365,000**		**2,950,000**	**9,415,000**	**6,965,000**
Unamortized Premium/Discount	**10,573,160**	**3,971,095**	**2,708,585**	**11,835,670**	**-**
	$ 1,085,081,819	**$ 178,651,095**	**$ 222,426,196**	**$ 1,041,306,718**	**$ 36,932,512**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	$ 867,132,117	$ 197,270,000	$ 276,135,788	$ 788,266,329	$ 27,070,000
Single Family Mortgage Bonds	261,395,000	-	39,830,000	221,565,000	4,515,000
Multiple Purpose Bonds	28,985,000	-	5,775,000	23,210,000	1,560,000
Multifamily Housing Revenue Bonds	29,237,476	-	135,145	29,102,330	144,838
Multifamily Mortgage Pass-Through Bonds	1,124,094	-	1,124,094	-	-
Multifamily Risk Sharing Bonds	12,580,000	-	215,000	12,365,000	230,000
Unamortized Premium/Discount	10,612,360	2,795,948	2,835,148	10,573,160	-
	$ 1,211,066,047	$ 200,065,948	$ 326,050,175	$ 1,085,081,819	$ 33,519,838

The assets and revenues of the above indentures are pledged as collateral for the payment of principal and interest on their respective bonds. Required principal and interest payments are as follows:

Year Ended June 30	**Homeownership Mortgage Program Bonds Principal**	**Interest**	**Single Family Mortgage Bonds Principal**	**Interest**	**Multiple Purpose Bonds Principal**	**Interest**
2017	$ 23,697,512	$ 23,131,201	$ 4,805,000	$ 6,299,249	$ 1,465,000	$ 435,294
2018	35,495,000	22,859,928	5,810,000	6,154,529	1,485,000	414,234
2019	34,180,000	22,046,869	6,000,000	5,974,145	1,515,000	388,464
2020	30,600,000	21,259,383	6,210,000	5,795,351	1,555,000	357,805
2021	29,365,000	20,558,223	6,385,000	5,574,612	1,590,000	322,575
2022-2026	133,595,000	91,251,947	26,615,000	24,814,824	1,895,000	1,322,476
2027-2031	163,415,000	69,327,332	26,445,000	20,084,735	2,020,000	1,115,830
2032-2036	140,500,000	42,434,226	43,195,000	13,596,214	1,950,000	881,286
2037-2041	87,205,000	22,924,359	51,145,000	5,538,989	2,520,000	644,975
2042-2046	114,548,537	7,503,947	4,895,000	80,271	3,230,000	350,195
2047-2050	1,400,000	24,500	-	-	1,760,000	42,326
Total	$ 794,001,049	$ 343,321,915	$ 181,505,000	$ 93,912,919	$ 20,985,000	$ 6,275,460

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Year Ended June 30	Multifamily Housing Revenue Bonds Principal	Multifamily Housing Revenue Bonds Interest	Multifamily Risk Sharing Bonds Principal	Multifamily Risk Sharing Bonds Interest
2017	$ -	$ 121,163	$ 6,965,000	$ 179,241
2018	-	121,524	95,000	143,325
2019	-	121,524	100,000	137,767
2020	-	121,673	110,000	131,918
2021	-	121,375	115,000	125,483
2022-2026	-	607,620	705,000	516,555
2027-2031	6,495,000	596,516	970,000	281,385
2032-2036	12,150,000	324,067	355,000	20,767
2037-2041	-	110,700	-	-
2042-2046	4,920,000	57,195	-	-
	$ 23,565,000	$ 2,303,357	$ 9,415,000	$ 1,536,441

Note 7 - Refunding of Debt:

In November 2014, the Authority issued $71,545,000 of fixed rate Homeownership Mortgage Bonds, 2014 Series D and 2014 Series E. The 2014 Series D Bonds, totaling $51,545,000 were used to refund $51,545,000 of Homeownership Mortgage Bonds, 2003 Series C-1 and 2003 Series C-2 (the Refunded Bonds). The purpose of the refunding was to transfer excess yield from the Refunded Bonds to the 2014 Series D Bonds and to replace variable rate debt with fixed rate debt, which would have increased total debt service payments by approximately $3.7 million assuming the variable rate on the refunded bonds would have remained at 0.14% and 0.10%, respectively, the same rates as the rates on the refunding date. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2014 Series D Bonds and the Refunded Bonds, including cost of issuance and negative arbitrage, will result in an economic loss of approximately $9.2 million.

In November 2014, the Authority issued $39,015,000 of fixed rate Homeownership Mortgage Bonds, 2014 Series F. The 2014 Series F Bonds, totaling $39,015,000 along with premium generated from the bond sale, were used to refund $39,740,000 of Homeownership Mortgage Bonds, 2005 Series C (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately $13.1 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2014 Series F Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately $4.9 million.

In May 2015, the Authority issued $18,305,000 of fixed rate Homeownership Mortgage Bonds, 2015 Series A. The 2015 Series A Bonds were used to refund $18,305,000 of Homeownership Mortgage Bonds, 2004 Series D and 2005 Series D (the Refunded Bonds). The purpose of the refunding was to transfer excess yield from the Refunded Bonds to the 2015 Series A Bonds and to replace variable rate debt with fixed rate debt, which would have increased total debt service payments by approximately $5.5 million assuming the variable rate on the refunded bonds would have remained at 0.10% and 0.10% respectively, the same rates as the rates on the refunding date. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for the debt service of the 2015 Series A and the Refunded Bonds, including cost of issuance and negative arbitrage, will result in an economic loss of approximately $4.6 million.

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In May 2015 the Authority issued $38,405,000 of fixed rate Homeownership Mortgage Bonds, 2015 Series B. The 2015 Series B Bonds, totaling $38,405,000 were used to refund $38,405,000 of Homeownership Mortgage Bonds, 2005 Series E, 2005 Series F and 2005 Series G (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately $14.8 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2015 Series B Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately $4.6 million.

In June 2016 the Authority issued $44,680,000 of fixed rate Homeownership Mortgage Bonds, 2016 Series A. The 2016 Series A Bonds, totaling $44,680,000 were used to refund $44,680,000 of Homeownership Mortgage Bonds, 2006 Series C (the Refunded Bonds). The purpose of the refunding was to reduce the Authority's borrowing cost on debt that was optionally redeemable at par, which decreased total debt service payments by approximately $22.9 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the 2016 Series A Bonds and the Refunded Bonds, net of cost of issuance and negative arbitrage, will result in an economic gain of approximately $7.2 million.

Note 8 - Hedging Derivatives:

Interest Rate Swaps

Swap Objectives:

The Authority has entered into interest rate swap agreements in connection with issuing variable rate mortgage revenue bonds. The intentions of the swaps are to create synthetic fixed rate debt at a lower interest rate than achievable from long-term fixed rate bonds and to achieve the Authority's goal of lending to low- and moderate-income first-time home buyers at below market fixed interest rates.

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2016 and 2015, are contained in the table below. The initial notional amounts of the swaps match the initial principal amounts of the associated debt. Current notional amounts may or may not match the current principal outstanding on the debt, which could result in unhedged variable rate debt or making interest payments on debt no longer outstanding (see amortization risk). The Authority has purchased the right to terminate the outstanding swap balances at par value on dates that are generally ten years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective/ Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	**Fair Value June 30, 2016**	**Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2016**	Fair Value June 30, 2015	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2015
Merrill Lynch Capital Services									
2005 D	-	4/13/2005 5/1/2015	3.29%	57.3% of LIBOR plus 0.40%	Baa2	**$ -**	**$ -**	$ -	$ 192,686
2007 I	34,000,000	10/16/2007 5/1/2038	4.14%	63.8% of LIBOR plus 0.30%	Baa1	**(1,773,345)**	**933,384**	(2,706,729)	834,240
JPMorgan Chase Bank, N.A.									
2004 G	-	10/20/2004 5/1/2034	3.90%	63.4% of LIBOR plus 0.29%	Aa3	**-**	**-**	-	584,211
2005 C	-	4/13/2005 5/1/2035	3.93%	63.3% of LIBOR plus 0.30%	Aa3	**-**	**-**	-	1,438,191
2008 F	34,000,000	9/4/2008 5/1/2039	3.85%	63.7% of LIBOR plus 0.31%	Aa2	**(2,633,296)**	**373,103**	(3,006,399)	470,361

**Moody's Investor Service*

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Bond Series	Current Notional Amount	Effective/ Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	**Fair Value June 30, 2016**	**Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2016**	Fair Value June 30, 2015	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2015
Wells Fargo Bank									
2015 E-1	25,000,000	12/17/2015 11/1/2037	2.11%	66.4% of LIBOR plus 0.22%	Aa1	**(1,622,066)**	**(1,622,066)**	-	-
2015 E-2	25,000,000	12/17/2015 11/1/2037	66.4% of LIBOR plus 0.22%	22yr MMD plus 0.87%	Aa1	**(32,722)**	**(32,722)**	-	-
Bank of America, N.A.									
2009 C	22,000,000	11/18/2009 5/1/2039	3.14%	64% of LIBOR plus 0.22%	A1	**(1,761,507)**	**(328,961)**	(1,432,546)	(34,184)
Merrill Lynch Derivative Products, AG									
2005 G	-	8/31/2005 5/1/2035	3.77%	63.8% of LIBOR plus 0.29%	Aa3	**-**	**420,088**	(420,088)	779,766
2006 C	-	6/14/2006 5/1/2037	4.42%	64% of LIBOR plus 0.29%	Aa3	**-**	**1,769,686**	(1,769,686)	1,675,258
2008 C	34,935,000	4/23/2008 5/1/2039	3.44%	63.7% of LIBOR plus 0.30%	Aa3	**(1,833,357)**	**288,560**	(2,121,917)	384,993
MPB 2008 A	6,785,000	8/2/2008 5/1/2048	3.55%	63.8% of LIBOR plus 0.20%	Aa3	**(478,886)**	**48,214**	(527,100)	83,684
	$ 181,720,000					**$ (10,135,179)**		$ (11,984,465)	

**Moody's Investor Service*

Fair Value:

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations, along with considerations for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2016 and 2015. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks:

Credit Risk: The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure with its counterparties when the swap position has a positive value. Several of the swap agreements require that, upon demand, a party post collateral to secure its obligation to make a termination payment to the extent the fair value exceeds a collateral threshold specified in the agreement. The collateral thresholds are based on the prevailing ratings, as determined by Moody's and S&P, of each counterparty, in the case of the counterparties, or the hedged bonds, in the case of the Authority. These bilateral requirements are established to mitigate potential credit risk exposure. As of June 30, 2016 and 2015, neither the Authority nor any counterparty had been required to post collateral.

Basis Risk: The Authority incurs the potential risk that the variable interest payments on its bonds will not equal the variable interest receipts from its swaps. This basis risk exists because the Authority pays the actual variable rate on its bonds, but under the terms of its swaps receives a variable rate based upon the one month taxable London Interbank Offered Rate (LIBOR) rate. Basis risk will vary over time due to inter-market conditions. For the years ended June 30, 2016 and 2015, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.20% and 1.30% per annum, respectively, while the weighted average interest rate on the swaps was 1.32% and 1.39% per annum, respectively. In order to reduce the cumulative effects of basis risk, the variable rate determination structure for interest receipts within the swap is based upon a regression analysis of the long-term relationship between variable tax exempt rates and the one month taxable LIBOR rate.

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

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

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

Concentration Risk: The total outstanding notional amount of swaps with a single counterparty will not exceed $150,000,000.

Swap Payments and Associated Debt: As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2016:

Year Ended	**Variable Rate Bond**		**Interest Rate**	
June 30	**Principal**	**Interest**	**Swap - Net**	**Total**
2017	$ 100,000	$ 1,365,541	$ 3,916,490	$ 5,382,031
2018	105,000	1,364,951	3,900,104	5,370,055
2019	110,000	1,364,316	3,896,816	5,371,132
2020	120,000	1,363,653	3,893,375	5,377,028
2021	120,000	1,362,945	3,889,705	5,372,650
2022-2026	695,000	6,803,173	19,388,653	26,886,826
2027-2031	46,120,000	6,136,764	17,625,417	69,882,181
2032-2036	73,395,000	3,376,341	11,095,431	87,866,772
2037-2041	48,680,000	538,746	2,698,784	51,917,530
2042-2046	1,600,000	64,369	333,685	1,998,054
2047-2050	740,000	11,815	61,247	813,062
	$ 171,785,000	$ 23,752,614	$ 70,699,707	$ 266,237,321

Rollover Risk: Rollover risk is the risk that a swap associated with a bond issue does not extend to the maturity of that debt. When the swap terminates, the associated debt will no longer have the benefit of the swap. The Authority did not have any rollover risk as of June 30, 2016.

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Mortgage-Backed Security (MBS) Forward Contracts

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

Outstanding forward sales contracts as of June 30, 2016 are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2016	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2016	Moody's Credit Rating
Bank of New York Mellon						
FNMA	**$ 500,000**	4/13/2016	7/14/2016	3.50%	**$ (5,313)**	Aaa
FNMA	**500,000**	4/18/2016	7/14/2016	3.00%	**(7,969)**	Aaa
FNMA	**1,000,000**	4/18/2016	7/14/2016	3.50%	**(10,156)**	Aaa
GNMA II	**500,000**	4/26/2016	7/20/2016	3.00%	**(9,063)**	Not rated
GNMA II	**1,200,000**	4/26/2016	7/20/2016	3.50%	**(13,313)**	Not rated
FNMA	**500,000**	4/27/2016	7/14/2016	3.00%	**(10,781)**	Aaa
FNMA	**1,000,000**	5/4/2016	7/14/2016	3.00%	**(15,781)**	Aaa
GNMA II	**1,000,000**	5/4/2016	7/20/2016	3.50%	**(7,969)**	Not rated
FNMA	**500,000**	5/5/2016	7/14/2016	3.50%	**(4,766)**	Aaa
GNMA II	**1,000,000**	5/9/2016	7/20/2016	3.00%	**(11,406)**	Not rated
GNMA II	**1,000,000**	5/12/2016	7/20/2016	3.00%	**(11,250)**	Not rated
FNMA	**1,000,000**	5/12/2016	8/11/2016	3.00%	**(14,531)**	Aaa
GNMA II	**1,000,000**	5/13/2016	7/20/2016	3.50%	**(5,781)**	Not rated
FNMA	**500,000**	5/20/2016	8/11/2016	3.00%	**(8,672)**	Aaa
FNMA	**500,000**	5/20/2016	8/11/2016	3.50%	**(5,547)**	Aaa
GNMA II	**500,000**	5/20/2016	8/18/2016	3.50%	**(4,063)**	Not rated
GNMA II	**500,000**	5/23/2016	8/18/2016	3.50%	**(4,219)**	Not rated
GNMA II	**1,000,000**	5/25/2016	8/18/2016	3.50%	**(8,281)**	Not rated
FNMA	**500,000**	5/27/2016	8/11/2016	3.00%	**(8,398)**	Aaa
FNMA	**500,000**	5/27/2016	8/11/2016	3.50%	**(5,430)**	Aaa
GNMA II	**500,000**	5/31/2016	8/18/2016	3.00%	**(6,172)**	Not rated
FNMA	**1,000,000**	6/1/2016	8/11/2016	3.00%	**(16,172)**	Aaa
FNMA	**500,000**	6/1/2016	8/11/2016	3.50%	**(5,234)**	Aaa
GNMA II	**1,000,000**	6/3/2016	8/18/2016	3.50%	**(4,922)**	Not rated
FNMA	**500,000**	6/6/2016	8/11/2016	3.50%	**(3,750)**	Aaa
GNMA II	**765,350**	6/16/2016	7/20/2016	3.00%	**(3,827)**	Not rated
GNMA II	**202,977**	6/16/2016	7/20/2016	3.50%	**(603)**	Not rated
FNMA	**500,000**	6/16/2016	9/14/2016	3.00%	**(3,125)**	Aaa
GNMA II	**1,000,000**	6/17/2016	8/18/2016	3.00%	**(6,875)**	Not rated
GNMA II	**1,000,000**	6/23/2016	9/21/2016	3.50%	**(4,844)**	Not rated
FNMA	**500,000**	6/28/2016	9/14/2016	3.00%	**(1,016)**	Aaa
FNMA	**1,000,000**	6/28/2016	9/14/2016	3.50%	**(1,406)**	Aaa
GNMA II	**500,000**	6/28/2016	9/21/2016	3.00%	**(391)**	Not rated
GNMA II	**500,000**	6/30/2016	9/21/2016	3.50%	**-**	Not rated

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Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2016	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2016	Moody's Credit Rating
Bank of America Merrill Lynch						
FNMA	**$ 1,000,000**	4/26/2016	7/14/2016	3.50%	**$ (14,844)**	Aaa
GNMA II	**1,000,000**	4/29/2016	7/20/2016	3.50%	**(9,063)**	Not rated
GNMA II	**1,000,000**	5/6/2016	7/20/2016	3.50%	**(6,563)**	Not rated
FNMA	**1,000,000**	6/7/2016	8/11/2016	3.50%	**(6,719)**	Aaa
GNMA II	**1,000,000**	6/9/2016	8/18/2016	3.50%	**(5,313)**	Not rated
GNMA II	**1,000,000**	6/14/2016	8/18/2016	3.50%	**(4,375)**	Not rated
GNMA II	**2,000,000**	6/16/2016	7/20/2016	3.50%	**(4,688)**	Not rated
GNMA II	**1,300,000**	6/17/2016	8/18/2016	3.50%	**(5,586)**	Not rated
FNMA	**1,000,000**	6/21/2016	9/14/2016	3.50%	**(7,188)**	Aaa
GNMA II	**1,300,000**	6/30/2016	9/21/2016	3.00%	**203**	Not rated
Simmons First						
GNMA II	**1,000,000**	4/29/2016	7/20/2016	3.00%	**(15,430)**	Not rated
GNMA II	**1,000,000**	5/20/2016	8/18/2016	3.00%	**(13,945)**	Not rated
GNMA II	**1,000,000**	5/31/2016	8/18/2016	3.50%	**(7,461)**	Not rated
GNMA II	**1,000,000**	6/9/2016	8/18/2016	3.00%	**(8,041)**	Not rated
	$ 39,768,327				**$ (340,039)**	

Outstanding forward sales contracts as of June 30, 2015 are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2015	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2015	Moody's Credit Rating
Bank of America Merrill Lynch						
GNMA II	$ 1,000,000	5/1/2015	7/20/2015	3.50%	$ 8,516	Not rated
GNMA II	1,000,000	5/8/2015	7/20/2015	3.50%	11,016	Not rated
GNMA II	1,000,000	5/13/2015	7/20/2015	3.50%	3,125	Not rated
GNMA II	1,000,000	5/18/2015	7/20/2015	3.50%	6,094	Not rated
GNMA II	2,000,000	6/15/2015	7/20/2015	3.00%	(9,688)	Not rated
FNMA	1,000,000	6/9/2015	8/13/2015	3.50%	(4,531)	Aaa
GNMA II	1,000,000	5/22/2015	8/20/2015	3.50%	5,039	Not rated
GNMA II	1,000,000	6/12/2015	8/20/2015	3.50%	(4,063)	Not rated
GNMA II	1,000,000	6/8/2015	8/20/2015	3.50%	(3,281)	Not rated
GNMA II	1,000,000	6/15/2015	8/20/2015	3.50%	(4,063)	Not rated
FNMA	1,000,000	6/15/2015	9/14/2015	4.00%	(1,563)	Aaa
FNMA	1,000,000	6/22/2015	9/14/2015	3.50%	1,719	Aaa
GNMA II	1,000,000	6/24/2015	9/21/2015	4.00%	(2,656)	Not rated

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Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2015	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2015	Moody's Credit Rating
Bank of New York Mellon						
FNMA	$ 1,000,000	5/11/2015	7/14/2015	3.50%	$ 6,875	Aaa
GNMA II	2,164,500	6/15/2015	7/20/2015	3.50%	(7,440)	Not rated
FNMA	1,000,000	5/14/2015	8/13/2015	3.50%	5,781	Aaa
FNMA	1,000,000	5/15/2015	8/13/2015	3.00%	13,281	Aaa
FNMA	500,000	5/29/2015	8/13/2015	4.00%	3,359	Aaa
FNMA	500,000	6/8/2015	8/13/2015	4.00%	(1,094)	Aaa
GNMA II	1,000,000	5/20/2015	8/20/2015	3.00%	3,906	Not rated
GNMA II	500,000	6/1/2015	8/20/2015	3.00%	4,297	Not rated
GNMA II	500,000	6/1/2015	8/20/2015	3.50%	3,594	Not rated
GNMA II	1,000,000	6/11/2015	8/20/2015	4.00%	(1,406)	Not rated
FNMA	500,000	6/15/2015	9/14/2015	3.50%	(781)	Aaa
GNMA II	1,000,000	6/23/2015	9/21/2015	3.50%	(2,969)	Not rated
Piper Jaffray						
GNMA II	3,893,000	6/15/2015	7/20/2015	3.00%	(20,073)	Not rated
GNMA II	1,000,000	6/9/2015	8/20/2015	4.00%	(2,188)	Not rated
Simmons First						
GNMA II	2,000,000	4/24/2015	7/20/2015	3.00%	34,688	Not rated
GNMA II	1,000,000	5/22/2015	8/20/2015	3.00%	5,781	Not rated
GNMA II	1,000,000	6/17/2015	9/21/2015	3.50%	(3,750)	Not rated
GNMA II	1,000,000	6/17/2015	9/21/2015	4.00%	(4,140)	Not rated
	$ 34,557,500				$ 43,385	

Note 9 - Fair Value

The Authority had the following recurring fair value measurements as of June 30, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
US Treasuries	$ -	$ 100,598,868	$ -
US Government Agencies	-	527,213,883	-
Money Market Mutual Funds	220,512,535	-	-
Investment Agreements	-	646,416	-
Certificates of Deposit	-	6,708,597	-
State Obligations	-	2,977,388	-
Total investments by fair value level	$ 220,512,535	$ 638,145,152	$ -
Hedging derivative instruments			
Interest Rate Swaps	$ -	$ (10,135,179)	$ -
Forward MBS Contracts	-	(340,039)	-
Total hedging derivative instruments	$ -	$ (10,475,218)	$ -

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The Authority had the following recurring fair value measurements as of June 30, 2015:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
US Treasuries	$ -	$ 80,866,630	$ -
US Government Agencies	-	509,160,547	-
Money Market Mutual Funds	139,759,610	-	-
Investment Agreements	-	639,865	-
Certificates of Deposit	-	6,441,393	-
State Obligations	-	4,009,385	-
Total investments by fair value level	$ 139,759,610	$ 601,117,820	$ -
Hedging derivative instruments			
Interest Rate Swaps	$ -	$ (11,984,465)	$ -
Forward MBS Contracts	-	43,385	-
Total hedging derivative instruments	$ -	$ (11,941,080)	$ -

The Authority obtains is fair value pricing on investments from their third party trustee. There are multiple pricing methodologies which are used to value the Authority's U.S. Treasury and Government Agency securities, Money Market Mutual Funds, Investment Agreements, Certificates of Deposit, and State Obligations. These methods include but are not limited to, gathering pricing from multiple market sources and vendor credit information, observed market movements, sector news into the pricing applications and models, or manual methods. Money Market Mutual Funds classified as Level 1 are valued using quoted prices in active markets for those securities. Since the Authority's debt security investments are not actively traded on an exchange and rely on significant observable inputs for fair value pricing, these securities are classified as Level 2.

The Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third party vendor. See Note 8 for further description of the fair value methodology for derivative instruments.

Note 10 - Net Position

The State has pledged to and agreed with Bondholders that it will not limit or alter the rights vested in the Authority to fulfill the terms of any agreements made with them, or in any way impair the rights and remedies of the Bondholders, until the bonds, together with the interest thereon and on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of such Bondholders, are fully met and discharged. The net position of the indentures other than the General Operating Account are therefore restricted under the terms of the bond resolutions. The Authority may, however, subject to the provisions as defined in bond resolutions, transfer surplus earnings to the General Reserve Account in the General Operating Account. The Authority covenants that it will use money in the General Reserve Account only for the administration and financing of programs in accordance with the policy and purpose of the Act, including reserves for the payment of bonds and notes and of loans made from the proceeds thereof, and will accumulate and maintain therein such a balance of funds and investments as will be sufficient for that purpose.

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Sub Accounts of the General Operating Account, established as part of the General Reserve Account on the basis of specified guidelines, are restricted at June 30 as follows:

	2016	2015
Bond and notes reserve	**$ 2,491,228**	$ 2,582,603
Program operations reserve	**4,547,479**	3,718,481
Total	**$ 7,038,707**	$ 6,301,084

Note 11 - Commitments:

As of June 30, 2016, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating $71,291,152.

Note 12 - Segment Information:

The Authority issues bonds to finance the purchase of single family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the year ended June 30, 2016 and 2015, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds and the Multiple Purpose Bonds follows:

	2016			2015		
	Homeownership Mortgage Bonds	**Single Family Mortgage Bonds**	**Multiple Purpose Bonds**	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Condensed Statement of Net Position						
Assets						
Interfund receivables (payables)	**$ 12,517,100**	**$ (477,673)**	**$ (86,740)**	$ 9,218,405	$ 2,758,317	$ (98,886)
Current assets	**222,561,800**	**36,935,930**	**11,882,690**	172,020,422	30,764,140	8,257,563
Noncurrent assets	**946,536,051**	**149,383,672**	**73,897,331**	970,433,383	192,208,290	77,296,181
Total Assets	**1,181,614,951**	**185,841,929**	**85,693,281**	1,151,672,210	225,730,747	85,454,858
Deferred Outflows of Resources	**10,517,545**	**-**	**836,269**	11,734,603	-	975,102
Total Assets and Deferred Outflows of Resources	**$ 1,192,132,496**	**$ 185,841,929**	**$ 86,529,550**	$ 1,163,406,813	$ 225,730,747	$ 86,429,960
Liabilities						
Current liabilities	**$ 27,788,486**	**$ 5,879,490**	**$ 1,561,050**	$ 30,998,414	$ 5,811,424	$ 1,634,002
Noncurrent liabilities	**791,251,422**	**177,584,116**	**19,998,886**	782,093,066	218,183,787	22,177,100
Total Liabilities	**819,039,908**	**183,463,606**	**21,559,936**	813,091,480	223,995,211	23,811,102
Deferred Inflows of Resources	**1,125,623**	**-**	**-**	43,385	-	-
Total Liabilities and Deferred Inflows of Resources	**820,165,531**	**183,463,606**	**21,559,936**	813,134,865	223,995,211	23,811,102
Net Position						
Net investment in capital assets	**-**	**-**	**(1,565,601)**	-	-	(1,432,496)
Restricted by bond indentures	**371,966,965**	**2,378,323**	**66,535,215**	350,271,948	1,735,536	64,051,354
Total Liabilities, Deferred Inflows, and Net Position	**$ 1,192,132,496**	**$ 185,841,929**	**$ 86,529,550**	$ 1,163,406,813	$ 225,730,747	$ 86,429,960
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	**$ 53,843,484**	**$ 8,247,352**	**$ 3,183,712**	$ 45,740,674	$ 9,809,560	$ 2,883,832
Operating expenses	**28,376,715**	**7,604,565**	**832,956**	31,145,063	8,755,453	897,961
Operating income	**25,466,769**	**642,787**	**2,350,756**	14,595,611	1,054,107	1,985,871
Transfers in (out)	**(3,771,752)**	**-**	**-**	(2,831,916)	375,350	-
Change in net position	**21,695,017**	**642,787**	**2,350,756**	11,763,695	1,429,457	1,985,871
Beginning net position	**350,271,948**	**1,735,536**	**62,618,858**	338,508,253	306,079	60,632,987
Ending net position	**$ 371,966,965**	**$ 2,378,323**	**$ 64,969,614**	$ 350,271,948	$ 1,735,536	$ 62,618,858
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	**$ 12,198,428**	**$ 48,816,140**	**$ 3,684,016**	$ 24,520,795	$ 49,768,424	$ 3,914,170
Noncapital financing activities	**(21,295,377)**	**(47,349,471)**	**(2,638,247)**	(110,991,085)	(48,178,388)	(6,233,142)
Capital and related financing activities	**-**	**-**	**(70,105)**	-	-	(67,890)
Investing activities	**68,953,642**	**20,215,400**	**(712,966)**	105,169,674	220	2,368,328
Net change	**59,856,693**	**21,682,069**	**262,698**	18,699,384	1,590,256	(18,534)
Beginning cash and cash equivalents	**126,678,202**	**6,695,861**	**2,381,135**	107,978,818	5,105,605	2,399,669
Ending cash and cash equivalents	**$ 186,534,895**	**$ 28,377,930**	**$ 2,643,833**	$ 126,678,202	$ 6,695,861	$ 2,381,135

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Note 13 - Pension Plan:

Plan Information:

All employees, except for employees less than half-time, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications/ or by writing to the SDRS, PO Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A, Class B public safety and Class B judicial. Class A retirement benefits are determined as 1.7% prior to 2008 and 1.55% thereafter of the employee's final three year average compensation times the employee's years of service. Employees with 3 years of service are eligible to retire at age 55. Class B public safety benefits are determined as 2.4% for service prior to 2008 and 2.0% thereafter of employee final average compensation. Class B judicial benefits are determined as 3.733% for service prior to 2008 and 3.333% thereafter of employee final average compensation. All Class B employees with three years of service are eligible to retire at age 45. Employees are eligible for service-related disability benefits regardless of length of service. Three years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are a percent of the employee's final average salary.

The annual increase in the amount of the SDRS benefits payable on each July 1st is indexed to the consumer price index (CPI) based on SDRS funded status:

- If the SDRS market value funded ratio is 100% or more — 3.1% COLA
- If the SDRS market value funded ratio is 80.0% to 99.9%, index with the CPI
    - 90.0% to 99.9% funded — 2.1% minimum and 2.8% maximum COLA
    - 80.0% to 90.0% funded — 2.1% minimum and 2.4% maximum COLA
- If the SDRS market value funded ratio is less than 80% — 2.1% COLA

All benefits except those depending on the member's accumulated contributions are annually increased by the cost-of-living adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary, Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The Authority's share of contributions to the SDRS, at 6% of salary for the fiscal years ending June 30, 2016, 2015 and 2014 were $198,406, $177,849 and $161,371, respectively, equal to the required contributions each year.

Pension Assets, Pension Revenue, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2015 and 2014, SDRS is 104.1% and 107.3%, respectively, funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of SDRS, for the Authority as of June 30, 2016 and 2015 are as follows:

(continued on next page)

	2016	2015
Proportionate share of net position restricted for pension benefits	$ 17,495,498	$ 16,314,259
Less proportionate share of total pension liability	16,806,933	15,206,204
Proportionate share of net pension asset	$ 688,565	$ 1,108,055

At June 30, 2016 and 2015, the Authority reported an asset of $ 688,565 and $1,108,055, respectively, for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and 2014 and the total pension asset used to calculate the net pension asset was based on a projection of the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2015, the Authority's proportion was 0.162348% which was an increase of 5.6% or 0.008549% from its proportion measured as of June 30, 2014 of 0.153799%.

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of $67,103, and pension revenue of $46,804, respectively. At June 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 140,987	$ -
Changes in assumption	545,988	-
Net difference between projected and actual earnings on pension plan investments	420,632	1,015,988
Changes in proportion and difference between Authority contributions and proportionate share of contributions	-	27,642
Authority contributions subsequent to the measurement date	198,406	-
Total	$ 1,306,013	$ 1,043,630

At June 30, 2016, there is $ 198,406 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as an increase of the net pension asset in the year ending June 30, 2017.

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:	
2017	$ 24,591
2018	24,591
2019	(95,811)
2020	110,606
Total	$ 63,977

(continued on next page)

At June 30, 2015 the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 93,756	$ -
Changes in assumption	723,305	-
Net difference between projected and actual earnings on pension plan investments	-	1,283,313
Changes in proportion and difference between Authority contributions and proportionate share of contributions	-	-
Authority contributions subsequent to the measurement date	177,849	-
Total	$ 994,910	$ 1,283,313

At June 30, 2015, there was $ 177,849 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that was recognized as an increase of the net pension asset in the year ending June 30, 2016.

Actuarial Assumptions:

The total pension asset in the SDRS June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	5.83% at entry to 3.87% after 30 years of service
Investment rate of return	7.25% through 2017 and 7.50% thereafter, net of pension plan investment expense

Mortality rates were based on the RP-2000 Employee Mortality Table for males and females, as appropriate.

The actuarial assumptions used in the SDRS June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010. The mortality assumptions were revised based on an extension of the experience study including mortality experience through June 30, 2013.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

(continued on next page)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	61.0%	4.5%
Fixed Income	27.0%	1.8%
Real Estate	10.0%	5.2%
Cash	2.0%	0.0%
Total	100.0%	

Discount Rate:

The discount rate used to measure the total pension asset was 7.25% through 2017 and 7.50% thereafter. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of asset to changes in the discount rate:

The following presents the Authority's proportionate share of net pension asset as of June 30, 2016 calculated using the discount rate of 7.25% through 2017 and 7.50% thereafter, as well as what the Authority's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25/6.50%) or one percentage point higher (8.25/8.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of the net pension (asset) liability	$ 1,733,110	$ (688,565)	$ (2,663,231)

Pension Plan Fiduciary Net Position:

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

Note 14 - Contingencies:

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material adverse effect upon the financial position of the Authority.

Note 15 - Risk Management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2016 and 2015, the Authority managed its risks as follows:

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

(continued on next page)

Note 16 - Capital Assets:

	Beginning Balance July 1, 2015	Increase	Decrease	Ending Balance June 30, 2016
Capital assets not depreciated				
Land	$ 220,409	$ -	$ -	$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated				
Buildings	4,949,532	-	-	4,949,532
Land improvements	1,259,383	2,561	-	1,261,944
Furniture and equipment	3,741,668	308,508	93,462	3,956,714
Total capital assets depreciated	9,950,583	311,069	93,462	10,168,190
Total capital assets	10,170,992	311,069	93,462	10,388,599
Less accumulated depreciation for:				
Buildings	836,904	125,733	-	962,637
Land improvements	642,708	40,356	-	683,064
Furniture and equipment	2,747,462	289,048	93,462	2,943,048
Total accumulated depreciation	4,227,074	455,137	93,462	4,588,749
Capital assets, net	$ 5,943,918	$ (144,068)	$ -	$ 5,799,850

	Beginning Balance July 1, 2014	Increase	Decrease	Ending Balance June 30, 2015
Capital assets not depreciated				
Land	$ 220,409	$ -	$ -	$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated				
Buildings	4,949,532	-	-	4,949,532
Land improvements	1,210,115	49,268	-	1,259,383
Furniture and equipment	4,050,280	76,955	385,567	3,741,668
Total capital assets depreciated	10,209,927	126,223	385,567	9,950,583
Total capital assets	10,430,336	126,223	385,567	10,170,992
Less accumulated depreciation for:				
Buildings	711,171	125,733	-	836,904
Land improvements	601,774	40,934	-	642,708
Furniture and equipment	2,857,177	275,852	385,567	2,747,462
Total accumulated depreciation	4,170,122	442,519	385,567	4,227,074
Capital assets, net	$ 6,260,214	$ (316,296)	$ -	$ 5,943,918

(continued on next page)

Note 17 - Accounts Payable and Other Accruals:

Payables at June 30, 2016 and 2015 were as follows:

	2016	2015
Accounts Payable		
Contractual	$ 35,872	$ 36,334
Travel/moving costs	16,862	25,245
Office	6,751	10,979
Marketing	11,533	7,003
Maintenance	14,789	17,118
Capital assets	92,658	35,893
Housing grants	-	974
General	3,514	20,452
Prepaid sales	364,879	240,848
Excise/Unemployment tax	8,500	13,514
Materials/tools	129,850	187,836
	685,208	596,196
Other Liabilities		
Amount held for SD Homebuilders Association	950,768	950,768
Accrued vacation	573,219	538,221
Accrued salaries	147,641	148,993
Employee withholdings	(1,703)	16,054
EMAP payable	(2,975)	(1,155)
Servicing fee	709,438	143,786
Estes Park	-	98,796
Arbitrage Payable	22,971	-
Total accounts payable and other liabilities	3,084,567	2,491,659
Current liabilities	2,133,799	1,540,891
Noncurrent liabilities	$ 950,768	$ 950,768

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South Dakota Housing Development Authority

Required Supplementary Information
June 30, 2016

South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	$ 198	$ 177	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribtutions in relation to the contractually required contribution	198	177	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 3,302	$ 2,950	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	6.00%	6.00%								

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

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset) — *As of June 30, 2016*

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Authority's proportion of the net pension liability (asset)	0.162348%	0.153799%	%	%	%	%	%	%	%	%
Authority's proportionate share of net pension liability (asset)	$ (689)	$ (1,108)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 2,950	$ 2,690	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-23.36%	-41.19%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	104%	107%								

* The amounts presented for each fiscal year were determined as of 06/30

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

Changes of Benefit Terms:

Disability and certain survivor benefit provisions were changed effective July 1, 2015 during the 2014 South Dakota Legislative Session. These benefit provision changes were first recognized in the June 30, 2014 actuarial valuation.

Changes of Assumptions:

No actuarial assumptions were changed from those used in the June 30, 2014 actuarial valuation.

South Dakota Housing Development Authority

Supplementary Information

June 30, 2016

Assets	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Multifamily Housing Revenue Bonds	Multifamily Risk Sharing Bonds	Combined Total
Current Assets							
Cash and cash equivalents	$ 9,940,197	$ 186,534,895	$ 28,377,930	$ 2,643,833	$ 1,978,230	$ 111,972	**$ 229,587,057**
Investment securities - other	1,508,248	12,851,214	-	6,511,345	-	-	**20,870,807**
Investments - program mortgage-backed securities	-	38,860,983	24,168	-	-	-	**38,885,151**
Mortgage loans receivable, net	4,195,294	44,546,149	18,230,164	2,254,936	-	-	**69,226,543**
Guaranteed mortgage securities	-	-	-	-	626,044	6,726,301	**7,352,345**
Interest receivable	212,990	3,696,065	714,460	472,576	544	54,564	**5,151,199**
Other receivables	4,216,490	-	-	-	-	-	**4,216,490**
Other assets	3,371,335	-	-	-	-	-	**3,371,335**
Hedging derivatives	-	-	-	-	-	-	**-**
Total Current Assets	23,444,554	286,489,306	47,346,722	11,882,690	2,604,818	6,892,837	**378,660,927**
Noncurrent Assets							
Investment securities - other	7,562,617	227,408,745	2,995,869	47,233,244	-	646,416	**285,846,891**
Investments - program mortgage-backed securities	-	291,870,788	181,515	-	-	-	**292,052,303**
Mortgage loans receivable, net	77,923,886	327,721,585	135,795,496	21,904,688	-	-	**563,345,655**
Guaranteed mortgage securities	-	-	-	-	21,430,018	2,277,232	**23,707,250**
Line of credit receivable	-	34,346,542	-	-	-	-	**34,346,542**
Other receivables	688,565	1,260,885	-	-	-	-	**1,949,450**
Furniture and equipment, net	644,370	-	-	369,296	-	-	**1,013,666**
Building, net	130,255	-	-	3,856,640	-	-	**3,986,895**
Land Improvement, net	45,416	-	-	533,463	-	-	**578,879**
Land	220,410	-	-	-	-	-	**220,410**
Due from (to) other funds	(11,942,652)	12,517,100	(477,673)	(86,740)	(10,035)	-	**-**
Total Noncurrent Assets	75,272,867	895,125,645	138,495,207	73,810,591	21,419,983	2,923,648	**1,207,047,941**
Total Assets	98,717,421	1,181,614,951	185,841,929	85,693,281	24,024,801	9,816,485	**1,585,708,868**
Deferred Outflow of Resources							
Loss on refunding	-	521,213	-	357,383	-	-	**878,596**
Forward contracts	-	340,039	-	-	-	-	**340,039**
Swaps (Note 8)	-	9,656,293	-	478,886	-	-	**10,135,179**
Related to pensions	1,306,013	-	-	-	-	-	**1,306,013**
Total Assets and Deferred Outflow of Resources	$ 100,023,434	$ 1,192,132,496	$ 185,841,929	$ 86,529,550	$ 24,024,801	$ 9,816,485	**$ 1,598,368,695**

(continued on next page)

Supplemental Schedule of Net Position — *As of June 30, 2016*

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Multifamily Housing Revenue Bonds	Multifamily Risk Sharing Bonds	Combined Total
Liabilities							
Current Liabilities							
Bonds payable	$ -	$ 23,697,512	$ 4,805,000	$ 1,465,000	$ -	$ 6,965,000	**$ 36,932,512**
Accrued interest payable	-	3,419,933	1,039,067	73,079	5,960	123,215	**4,661,254**
Accounts payable and other liabilities	1,404,364	671,041	35,423	22,971	-	-	**2,133,799**
Multifamily escrows and reserves	9,043,756	-	-	-	103,999	132,680	**9,280,435**
Total Current Liabilities	10,448,120	27,788,486	5,879,490	1,561,050	109,959	7,220,895	**53,008,000**
Noncurrent Liabilities							
Bonds payable	-	781,255,090	177,584,116	19,520,000	23,565,000	2,450,000	**1,004,374,206**
Accounts payable and other liabilities	950,768	-	-	-	-	-	**950,768**
Hedging derivatives	-	9,996,332	-	478,886	-	-	**10,475,218**
Total Noncurrent Liabilities	950,768	791,251,422	177,584,116	19,998,886	23,565,000	2,450,000	**1,015,800,192**
Total Liabilities	11,398,888	819,039,908	183,463,606	21,559,936	23,674,959	9,670,895	**1,068,808,192**
Deferred Inflow of Resources							
Forward contracts	-	-	-	-	-	-	**-**
Gain on Refunding		1,125,623					**1,125,623**
Related to Pensions	1,043,630	-	-	-	-	-	**1,043,630**
Total Liabilities and Deferred Inflow of Resources	12,442,518	820,165,531	183,463,606	21,559,936	23,674,959	9,670,895	**1,070,977,445**
Net Position							
Net investment in capital assets	1,040,451	-	-	(1,565,601)	-	-	**(525,150)**
Restricted for pension benefits	950,948	-	-	-	-	-	**950,948**
Restricted by statute	13,983,445	-	-	-	-	-	**13,983,445**
Restricted by bond indentures	-	371,966,965	2,378,323	66,535,215	349,842	145,590	**441,375,935**
Restricted by HOME and NSP Program	71,606,072	-	-	-	-	-	**71,606,072**
Total Net Position	87,580,916	371,966,965	2,378,323	64,969,614	349,842	145,590	**527,391,250**
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 100,023,434	$ 1,192,132,496	$ 185,841,929	$ 86,529,550	$ 24,024,801	$ 9,816,485	**$ 1,598,368,695**

Operating Revenues	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Multifamily Housing Revenue Bonds	Multifamily Risk Sharing Bonds	Combined Total
Interest income on mortgage loans and guaranteed mortgage securities	$ 200,902	$ 21,577,943	$ 7,437,485	$ 1,425,987	$ 248,461	$ 647,956	**$ 31,538,734**
Earnings on investments and program mortgage-backed securities	213,066	16,407,153	347,306	1,157,488	(289)	36,348	**18,161,072**
Net increase/(decrease) in fair value of investments and program mortgage-backed securities	(195,505)	15,858,388	462,561	600,237	31,577	-	**16,757,258**
HUD contributions	27,697,615	-	-	-	-	-	**27,697,615**
Fee, grant and other income	7,009,480	-	-	-	-	-	**7,009,480**
Total Operating Revenues	34,925,558	53,843,484	8,247,352	3,183,712	279,749	684,304	**101,164,159**
Operating Expenses							
Interest	-	22,913,354	6,803,399	524,048	221,274	628,359	**31,090,434**
Housing assistance payments	23,723,492	-	-	-	-	-	**23,723,492**
Servicer fees	-	1,184,112	582,161	-	-	-	**1,766,273**
Arbitrage rebate expense	-	29,439	-	-	-	-	**29,439**
General and administrative	5,077,351	1,146,604	13,595	320,079	100,118	87,644	**6,745,391**
Bond financing costs	-	2,327,015	25,000	49,000	1,000	-	**2,402,015**
Other housing programs	7,745,081	-	-	-	-	-	**7,745,081**
Provision for loan loss	859,469	776,191	180,410	(60,171)	-	-	**1,755,899**
Total Operating Expenses	37,405,393	28,376,715	7,604,565	832,956	322,392	716,003	**75,258,024**
Net Income Before Interfund Transfers	(2,479,835)	25,466,769	642,787	2,350,756	(42,643)	(31,699)	**25,906,135**
Interfund Transfers	3,771,752	(3,771,752)	-	-	-	-	**-**
Changes in Net Position	1,291,917	21,695,017	642,787	2,350,756	(42,643)	(31,699)	**25,906,135**
Net Position, Beginning of Fiscal Year	86,288,999	350,271,948	1,735,536	62,618,858	392,485	177,289	**501,485,115**
Net Position, End of Fiscal Year	$ 87,580,916	$ 371,966,965	$ 2,378,323	$ 64,969,614	$ 349,842	$ 145,590	**$ 527,391,250**

TABLE I

Amounts Available To Purchase Qualified Homeownership Mortgage Loans

Series of Bonds	Date of Issuance or Remarketing to Maturity	Mortgage Loan Interest Rate	Total Amount Available to Purchase Mortgage Loans	Amount Committed for Mortgage Loans	Amount Available for Commitment
2013ABC	4/4/2013	2.625%	$ 4,350,411	$ -	$ 4,350,411
2014ABC	4/30/2014	2.625%	11,080,433	-	11,080,433
2015C	4/30/2015	2.625%	38,482	-	38,482
2016AB	6/8/2016	2.625%	30,035,600		30,035,600
			$ 45,504,926		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

Type of Home	Number of Homes
Single Family Detached	95.36%
Single Family Townhouse/Condominium	2.81%
Two-Four Unit	0.48%
Modular-Manufactured	1.35%
	100.00%

TABLE III

Outstanding Step Homeownership Mortgage Loans

Years Outstanding	Number	Principal Amount
1	0	$ -
2	0	-
3	0	-
4	0	-
5 or more	480	26,446,241
Total	480	$ 26,446,241

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	2	$ 276,271	6.850%	32	$ 1,226,263
4.125%	11	926,765	6.875%	4	94,358
4.375%	1	166,495	6.890%	15	461,805
4.500%	85	7,677,015	6.900%	15	608,066
4.600%	1	66,368	6.950%	74	3,111,277
4.625%	3	265,051	7.050%	5	139,615
4.750%	924	62,531,345	7.110%	59	2,109,654
4.850%	94	8,551,585	7.125%	2	129,440
4.950%	923	60,838,851	7.250%	64	1,350,734
5.000%	46	4,004,993	7.300%	28	791,175
5.125%	170	12,529,803	7.360%	7	250,341
5.150%	217	14,891,826	7.400%	21	886,420
5.250%	410	30,578,159	7.450%	9	375,249
5.375%	211	16,211,071	7.550%	11	509,389
5.425%	23	1,666,038	7.600%	10	298,802
5.450%	17	1,155,519	7.625%	22	262,846
5.500%	644	45,847,653	7.650%	2	129,644
5.625%	53	4,207,820	7.875%	23	141,416
5.750%	89	6,444,316	7.880%	1	322
5.850%	149	12,254,563	7.950%	18	507,677
5.950%	596	29,220,326	8.100%	1	21,872
6.000%	133	7,699,642	8.125%	4	29,556
6.125%	25	2,032,973	8.180%	11	78,968
6.150%	11	711,974	8.250%	15	87,369
6.250%	48	2,626,909	8.375%	12	94,358
6.375%	10	1,051,695	8.500%	11	96,874
6.400%	32	1,188,308	8.540%	6	35,808
6.450%	31	941,788	8.625%	2	18,222
6.500%	295	10,901,394	8.750%	3	24,133
6.600%	4	101,108	8.850%	11	66,330
6.625%	10	871,782	8.900%	2	17,505
6.650%	89	2,217,209	9.000%	1	7,321
6.750%	50	956,438	9.100%	1	12,051
				5,909	$ 365,587,915

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor		Percent of Principal Amount
FHA		33.27%
VA		4.78%
USDA Rural Development		38.56%
Private Mortgage Insurance		
Mortgage Guaranty Insurance Company	9.73%	
Genworth	2.54%	
PMI	0.29%	
United Guaranty Insurance	1.24%	
CMG Mortgage Insurance Company	0.18%	
Total PMI Insured Mortgage Loans		13.98%
Total Insured Mortgage Loans		90.59%
Uninsured		9.41%
Total All Mortgage Loans		100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
Great Western	$ 251,072,135
Wells Fargo Home Mortgage Corporation	1,315,600
CorTrust Mortgage	86,122,333
First Bank & Trust	17,824,649
Other Servicers	9,253,198
	$ 365,587,915

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2016	As of 6/30/2015	As of 6/30/2016	As of 6/30/2015
31-60 Days (one payment) Delinquent	4.21%	2.61%	3.57%	2.41%
61-90 Days (two payments) Delinquent	1.20%	1.01%	1.13%	0.74%
91 Days or More (three or more payments) Delinquent	0.67%	0.99%	0.94%	0.69%
Total Delinquent	6.08%	4.61%	5.64%	3.84%
In Foreclosure	2.41%	1.83%	1.91%	1.12%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	$ 1,077,908,393
Amount of Outstanding Homeownership Bonds	$ 794,001,049
Parity Calculation	135.76%
Parity Requirement	102.00%

Value of Principal Assets of Single Family Program	$ 190,000,729
Amount of Outstanding Single Family Bonds	$ 181,505,000
Parity Calculation	104.68%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority

Homeownership Program	$ 132,013,508
Single Family Program	$ -
Multi Purpose Program	$ 47,855,971

Table X

Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2016:

Development	Location	Number of Units	Twelve Month Occupancy Average (2)	Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans Amount (3)	Preservation Loans Interest Rate
Old Main	Canton	26	NA %	$ 428,062	$ -	0.00 %		
Sagewood	Yankton	10	NA	227,825	-	0.00		
South Sycamore Estates	Sioux Falls	16	NA	695,690	375,034	0.00		
Edmonton Heights	Gregory	16	NA	524,000	-	0.00	416,191	3.00 %
Pheasant Valley Courtyard	Milbank	60	89.3	1,556,000	1,177,845	5.00		
Homestead Heights	Bison	16	95.0	355,400	37,391	6.06		
JARD Apartments	Sisseton	16	87.0	343,960	-	6.06		
Canterbury House	Sioux Falls	50	97.7	1,278,200	165,998	6.06		
Lynlo Heights	Armour	20	NA	462,900	-	6.06	218,000	3.00
The Lidi	Tyndall	24	96.8	493,500	41,945	6.06		
Huey Apartments	Sioux Falls	46 (1)	NA	1,390,000	-	0.00		
Bi-Centennial Apts	Aberdeen	48	99.7	1,026,244	118,151	6.06		
Grandview Apartments	Mitchell	34	91.3	734,500	62,403	6.06		
Heritage Estates II	Brookings	44	83.2	912,000	-	6.06		
Prairie View	Madison	25 (1)	83.7	576,000	-	6.06		
Maplewood Townhouses	Rapid City	100	96.7	2,859,100	576,451	6.78		
Canyon Ridge	Yankton	60	94.3	1,575,600	309,803	6.78		
Lombardi Courts	Mitchell	30	91.3	977,500	211,202	6.78		
Fifth Avenue South	Aberdeen	50	100.0	1,400,000	348,982	6.78		
Woodland Hills	Sioux Falls	32	88.2	1,100,000	237,704	6.78		
The Evans	Hot Springs	86 (1)	88.0	3,094,600	828,146	6.78	1,000,000	2.50
Dakota Square	Aberdeen	55	90.1	1,730,300	452,631	8.50	216,447	2.50
Majestic View Townhouses	Hot Springs	20	88.9	596,630	-	8.50	407,400	4.25
Senechal Apts	Philip	16	93.7	520,000	-	8.50	180,800	2.25
Riverview Townhouses	Philip	10	86.7	320,000	-	8.50	245,250	3.85
Gateway I Apts	Kadoka	16	66.1	479,000	-	8.50		
The Sherman	Aberdeen	51	88.0	1,950,000	687,294	8.50		
Presho Courts	Presho	8	61.3	439,000	-	8.50		
Parkview Apts	Madison	28	86.8	890,000	269,116	8.50	30,000	2.00
Oakwood Apts	Vermillion	28	95.9	890,000	255,162	8.50		
Arthur Courts	Redfield	16	70.8	510,000	-	8.50		
Terrawood Townhouses	Sioux Falls	4	100.0	100,900	-	8.72 (4)	155,640	2.00
Beadle Plaza	Sioux Falls	44	NA	1,353,096	-	8.72 (4)		
St. Cloud Apts	Rapid City	16 (1)	100.0	562,000	-	8.72 (4)		
Gateway II Apts	Kadoka	14	59.3	463,800	-	8.72 (4)		
Grand Valley Apts	Newell	12	92.0	368,600	147,673	8.72 (4)		
Sir Charles	Yankton	34	98.0	1,184,200	-	8.72 (4)	179,905	3.60
Timberland	Lead	24	93.2	85,300	-	9.65	1,091,710	3.75-5.00
Collins Apts	Sioux Falls	23	94.7	670,000	243,752	9.65		
Baha Townhouses	Sioux Falls	21	96.3	778,900	291,408	9.65		
Hospitality Apts	Sioux Falls	12	95.9	461,599	191,561	9.65		
Evergreen Lodge	Yankton	17	79.3	601,284	252,390	9.65		
Prairie West	Lemmon	18	81.8	630,900	255,377	9.65		
Sun Rise Apts	Aberdeen	14	100.0	474,500	207,885	9.65		
Cedar Apts	Brookings	32	47.8	1,068,800	-	9.65		
The Lidi II	Tyndall	10 (1)	83.3	255,000	99,261	9.65		
Gold Mountain Apt.	Lead	20	90.4	272,490	244,339	9.65	198,067	0.00
Calypso Court	Chamberlain	16	76.5	550,000	217,302	9.65	32,000	2.00
Riverview Park	Sioux Falls	50	93.3	1,873,700	-	9.65		
Olive Grove Apts	Sioux Falls	19	96.1	601,271	-	9.65		
Sunnycrest	Sioux Falls	60	100.0	7,320,000	6,643,894	3.55 - 4.65		
				$ 50,012,351	$ 14,950,100		$4,371,410	

(1) One unit, or in the case of Huey Apartments and The Lidi II, two units, are not the subject of housing assistance payments under the Section 8 Program.
(2) Occupancy rate for the twelve month period ending June 30, 2016.
(3) Amounts are balances as of June 30, 2016.
(4) This is the effective rate to the Program. The nominal interest rate is 13.315%; the interest rate differential is payable to HUD pursuant to a FAF Refunding Agreement.