South Dakota Housing Development Authority

Financial Report

June 30, 2017 and 2016

CPAs & BUSINESS ADVISORS

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, 2017 and 2016, 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 Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Dakota Housing Development Authority, as of June 30, 2017 and 2016, 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 41 through 43 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 44 through 51 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 17, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the South Dakota Housing Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Dakota Housing Development Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Aberdeen, South Dakota
October 17, 2017

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, 2017 (FY 2017) and 2016 (FY 2016). 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 2017, FY 2016 and FY 2015 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)

Changes in Statement of Revenues, Expenses and Net Position

	FY 2017	FY 2016	FY 2015	% Change 2017/2016	% Change 2016/2015
Revenues:					
Interest on mortgages	$ 24.6	$ 31.5	$ 39.1	-21.9%	-19.4%
Investment income	19.1	18.2	17.6	4.9%	3.4%
Increase (decrease) in fair market value of investments and program MBS	(23.3)	16.8	3.3	-238.7%	409.1%
HUD contributions	28.3	27.7	27.9	2.2%	-0.7%
Other income	7.5	7.0	5.3	7.1%	32.1%
Total revenues	$ 56.2	$ 101.2	$ 93.2	-44.5%	8.6%
Expenses:					
Interest	$ 28.2	$ 31.1	$ 36.5	-9.3%	-14.8%
Servicer fees	1.3	1.8	2.2	-27.8%	-18.2%
Arbitrage rebate provision (benefit)	-	-	(0.1)	-	-100.0%
General and administrative	6.9	6.8	6.4	1.5%	6.2%
Housing assistance payments	23.8	23.7	23.2	0.4%	2.2%
Other	14.8	11.9	8.8	24.4%	35.2%
Total expenses	75.0	75.3	77.0	-0.4%	-2.2%
Change in net position	$ (18.8)	$ 25.9	$ 16.2	-172.6%	59.9%

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

	FY 2017	FY 2016	FY 2015	% Change 2017/2016	% Change 2016/2015
Assets:					
Cash and equivalents	$ 241.4	$ 229.6	$ 144.6	5.1%	58.8%
Investments	792.8	637.7	601.1	24.3%	6.1%
Mortgages and securities	546.1	663.6	803.5	-17.7%	-17.4%
Line of credit receivable	34.4	34.3	32.2	0.3%	6.5%
Interest receivable	4.8	5.2	6.2	-7.7%	-16.1%
Capital assets	5.6	5.8	5.9	-3.4%	-1.7%
Other	5.9	9.5	11.3	-37.9%	-15.9%
Total assets	1,631.0	1,585.7	1,604.8	2.9%	-1.2%
Deferred Outflows of Resources					
Deferred loss on refunding	2.0	0.9	0.7	122.2%	28.6%
Deferred forward contract outflow	-	0.3	-	-100.0%	100.0%
Deferred swap outflow	1.1	10.1	12.0	-89.1%	-15.8%
Related to pensions	1.4	1.3	1.0	7.7%	30.0%
Total assets and deferred outflows	$ 1,635.5	$ 1,598.3	$ 1,618.5	2.3%	-1.2%
Liabilities:					
Current bonds payable	$ 39.9	$ 36.9	$ 33.5	8.1%	10.1%
Interest payable	4.4	4.7	5.5	-6.4%	-14.5%
Fair value of interest rate swaps	1.1	10.4	12.0	-89.4%	-13.3%
Other	10.0	12.4	13.1	-19.4%	-5.3%
Noncurrent bonds payable	1,070.0	1,004.4	1,051.6	6.5%	-4.5%
Total liabilities	1,125.4	1,068.8	1,115.7	5.3%	-4.2%
Deferred Inflows of Resources					
Deferred forward contract inflow	0.1	-	0.1	100.0%	-100.0%
Gain on refunding	1.3	1.1	-	18.2%	100.0%
Related to pensions	0.1	1.0	1.2	-90.0%	-16.7%
Total liabilities and deferred inflows	1,126.9	1,070.9	1,117.0	5.2%	-4.1%
Net Position:					
Net investment in capital assets	(0.6)	(0.5)	(0.4)	20.0%	25.0%
Restricted by state statute	12.4	14.0	14.0	-11.4%	0.0%
Restricted for pension benefits	0.8	0.9	0.8	-11.1%	12.5%
Restricted by bond indentures	423.1	441.4	416.7	-4.1%	5.9%
Restricted by HOME and NSP program	72.9	71.6	70.4	1.8%	1.7%
Total net position	508.6	527.4	501.5	-3.6%	5.2%
Total liabilities, deferred inflows, and net position	$ 1,635.5	$ 1,598.3	$ 1,618.5	2.3%	-1.2%

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Financial Highlights for FY 2017

- Total operating revenues decreased 44.5% to $56.2 million for FY 2017, from $101.2 million in FY 2016. The main factor contributing to this decrease was the fair market loss recognized on investments.

- Total operating expenses decreased 0.4% to $75.0 million for FY 2017, from $75.3 million in FY 2016. The primary component of the decrease was from shrinking servicer fee payments due to the shrinking homeownership loan portfolio.

- Net position of the Authority for FY 2017 was $508.6 million, which represented a decrease of $18.8 million, or 3.6%, from the FY 2016 net position level.

- Mortgage loans receivable, net of adjustments for the potential for loan loss was $546.1 million for FY 2017, which represented a decrease of $117.5 million, or 17.7% for FY 2017, from the FY 2016 level of $663.6 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 $34,360,782 for FY 2017 and $32,346,542 for FY 2016.

- Interest income on mortgage loans was $24.6 million for FY 2017, which represented a decrease of $6.9 million from the $31.5 million reported in FY 2016. As the loan balance decreased, so did the interest income on loans.

- Investment income was $19.1 million for FY 2017, which represented an increase of $0.9 million, or 4.9% in FY 2017, from $18.2 million in FY 2016 due to the additional MBS's added in FY 2017. The fair market value decreased by $23.3 million in FY 2017 and increased by $16.8 million in FY 2016. The FY 2017 fair market decrease was a result of higher 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 $4.5 million for FY 2017 compared to $9.1 million for FY 2016.

  The decrease in net position was from several factors: an extra $1.6 million in cost of issuance fees; recorded $2.2 million to allowance for loan loss; and, issuing an additional $1.4 million in Down Payment Assistance loans.

- Deferred outflows of resources from interest rate swaps at the end of FY 2017 decreased to $1.1 million from $10.1 million at the end of FY 2016, or 89.1%. The Authority did enter into a new swap in FY 2017 but the net decrease was a result of two early swap terminations and the remaining swaps getting closer to their optional par termination dates.

- Bonds and notes outstanding of the Authority were $1,109.9 million for FY 2017, which was an increase of $68.6 million, or 6.6% in FY 2017, from $1,041.3 million in FY 2016 due to more bonds being issued during the year than bonds being redeemed or maturing.

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- Interest expense on bonds and notes outstanding decreased $2.8 million, or 9.3% in FY 2017, from $31.1 million in FY 2016 as a result of lower interest rates on the current bonds outstanding.

- The Authority performed an operating transfer of $3.2 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.

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.

- 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 income on mortgage loans was $31.5 million for FY 2016, 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 income 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.

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- 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.

Loan Portfolio Activity for FY 2017 and FY 2016

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 $318 million of MBS's during FY 2017 compared to $250 million in FY 2016.

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 2017, the Authority had $1,109.9 million in bonds outstanding, a 6.6% increase from FY 2016. As of FY 2016, the Authority had $1,041.3 million in bonds outstanding, a 4.0% decrease from FY 2015.

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The Authority issued a total of $386.9 million in bonds in FY 2017 as new long-term debt. Of that amount, $240.0 million was used to finance the Homeownership Mortgage Loan Program and $146.9 million was used to refund existing bonds. No bonds were issued to preserve bonding authority. The Authority issued a total of $174.7 million in bonds in FY 2016. Of that total, $130.0 million was issued as new long-term debt and $44.7 was used to refund existing bonds. 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. No bonds were issued to preserve bonding authority.

The Authority retired or paid at maturity a total of $324.7 million in bonds in FY 2017. $287.8 million was redeemed from refundings, prepayments and excess reserves and $36.9 million was maturing principal. The Authority retired or paid at maturity a total of $219.7 million in bonds in FY 2016. $186.2 million was redeemed from refundings, prepayments and excess reserves and $33.5 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2017 and FY 2016, and rated Aaa by Moody's Investors Service in FY 2017 and FY 2016. In FY 2017 and FY 2016, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. After a rating upgrade by Moody's Investors Service in FY 2017, the Authority's Single Family Mortgage Bonds were rated Aa2, up from the Aa3 rating in FY 2016. 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 $0.2 million in FY 2017 from $5.8 million in FY 2016. This net change is due primarily to the amortization of existing assets.

Capital assets decreased by $0.1 million in FY 2016 from $5.9 million in FY 2015. 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 16, 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 96.9% funded. The State's foreclosure rate of 0.74%, delinquency rate of 2.47% and unemployment rate of 3.1% 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	2017	2016
Current Assets		
Cash and cash equivalents (Note 3)	**$ 241,379,894**	$ 229,587,057
Investment securities - other (Note 3)	**28,160,205**	20,870,807
Investments - program mortgage-backed securities (Note 3)	**52,671,654**	38,885,151
Mortgage loans receivable, net (Note 4)	**57,386,246**	69,226,543
Guaranteed mortgage securities (Note 2)	**685,441**	7,352,345
Interest receivable	**4,753,295**	5,151,199
Other receivables	**3,051,114**	4,216,490
Other assets	**2,463,922**	3,371,335
Hedging derivatives (Note 8)	**63,883**	-
Total Current Assets	**390,615,654**	378,660,927
Noncurrent Assets		
Investment securities - other (Note 3)	**316,396,541**	285,846,891
Investments - program mortgage-backed securities (Note 3)	**395,597,740**	292,052,303
Mortgage loans receivable, net (Note 4)	**464,968,639**	563,345,655
Guaranteed mortgage securities (Note 2)	**23,013,621**	23,707,250
Line of credit receivable (Note 5)	**34,360,782**	34,346,542
Other receivables	**379,229**	1,949,450
Furniture and equipment, at cost, less accumulated depreciation	**977,832**	1,013,666
Building, at cost, less accumulated depreciation	**3,861,162**	3,986,895
Land improvement, at cost, less accumulated depreciation	**540,733**	578,880
Land	**220,409**	220,409
Total Noncurrent Assets	**1,240,316,688**	1,207,047,941
Total Assets	**1,630,932,342**	1,585,708,868
Deferred Outflows of Resources		
Loss on refunding	**2,030,119**	878,596
Forward contracts	**-**	340,039
Swaps (Note 8)	**1,166,980**	10,135,179
Related to pensions (Note 13)	**1,410,993**	1,306,013
Total Assets and Deferred Outflows of Resources	**$ 1,635,540,434**	$ 1,598,368,695

Liabilities	2017	2016
Current Liabilities		
Bonds payable (Note 6)	**$ 39,858,054**	$ 36,932,512
Accrued interest payable	**4,366,783**	4,661,254
Accounts payable and other liabilities (Note 17)	**1,549,148**	2,133,799
Multifamily escrows and reserves	**7,447,185**	9,280,435
Total Current Liabilities	**53,221,170**	53,008,000
Noncurrent Liabilities		
Bonds payable (Note 6)	**1,069,501,657**	1,004,374,206
Accounts payable and other liabilities (Note 17)	**1,538,275**	950,768
Hedging derivatives (Note 8)	**1,166,980**	10,475,218
Total Noncurrent Liabilities	**1,072,206,912**	1,015,800,192
Total Liabilities	**1,125,428,082**	1,068,808,192
Deferred Inflows of Resources		
Forward contracts (Note 8)	**63,883**	-
Gain on refunding	**1,366,111**	1,125,623
Related to pensions (Note 13)	**70,580**	1,043,630
Total Liabilities and Deferred Inflows of Resources	**1,126,928,656**	1,070,977,445
Net Position		
Net investment in capital assets	**(654,864)**	(525,150)
Restricted for pension benefits	**752,906**	950,948
Restricted by state statue	**12,470,557**	13,983,445
Restricted by bond indentures	**423,104,932**	441,375,935
Restricted by HOME and NSP Program	**72,938,247**	71,606,072
Total Net Position	**508,611,778**	527,391,250
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 1,635,540,434**	$ 1,598,368,695

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30

Operating Revenues		2017		2016
Interest income on mortgage loans and guaranteed mortgage securities	$	**24,617,504**	$	31,538,734
Earnings on investments and program mortgage-backed securities		**19,079,820**		18,161,072
Net increase (decrease) in the fair market value of investments and program mortgage-backed securities		**(23,293,995)**		16,757,258
HUD contributions		**28,291,641**		27,697,615
Other income		**7,547,614**		7,009,480
Total Operating Revenues		**56,242,584**		101,164,159
Operating Expenses				
Interest		**28,195,297**		31,090,434
Housing assistance payments		**23,751,236**		23,723,492
Servicer fees		**1,282,482**		1,766,273
Arbitrage rebate expense (benefit)		**(35,196)**		29,439
General and administrative		**6,920,171**		6,745,391
Bond financing costs		**4,254,440**		2,402,015
Other housing programs		**7,826,855**		7,745,081
Provision for loan loss		**2,826,771**		1,755,899
Total Operating Expenses		**75,022,056**		75,258,024
Change in net position		**(18,779,472)**		25,906,135
Net position, beginning of fiscal year		**527,391,250**		501,485,115
Net Position, End of Fiscal Year	$	**508,611,778**	$	527,391,250

	2017	2016
Cash Flows Provided by Operating Activities		
Receipts from loan payments and program mortgage-backed securities	**$ 343,643,950**	$ 450,058,842
Receipts for program fees	**9,208,727**	8,439,377
Receipts from federal housing programs	**28,291,641**	27,697,615
Payments for loan programs and program mortgage-backed securities	**(325,974,641)**	(375,741,133)
Payments for operating expenses	**(4,502,082)**	(4,591,335)
Payments to employees	**(4,314,431)**	(4,025,378)
Payments for federal housing programs	**(23,751,236)**	(23,723,492)
Payments for other housing programs	**(7,638,393)**	(8,201,426)
Net Cash Provided by Operating Activities	**14,963,535**	69,913,070
Cash Flows Provided by (Used in) Noncapital Financing Activities		
Proceeds from sale of bonds	**395,767,938**	178,651,095
Principal paid on bonds and swaps	**(324,686,580)**	(219,657,611)
Interest paid on bonds	**(32,310,861)**	(33,632,050)
Bond issuance costs paid	**(4,254,440)**	(2,402,015)
Net Cash Provided by (Used in) Noncapital Financing Activities	**34,516,057**	(77,040,581)
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital fixed assets	**(361,156)**	(246,530)
Proceeds from sale of assets	**31,546**	-
Principal paid on bonds	**(70,000)**	(60,000)
Interest paid on capital debt	**(48,306)**	(10,105)
Net Cash Used in Capital and Related Financing Activities	**(447,916)**	(316,635)
Cash Flows Provided by (Used in) Investing Activities		
Purchase of investment securities	**(353,306,003)**	(167,519,130)
Proceeds from sale and maturities of investment securities	**299,925,203**	250,569,455
Interest received on investments	**16,141,961**	9,343,199
Net Cash Provided by (Used in) Investing Activities	**(37,238,839)**	92,393,524
Change in Cash and Cash Equivalents	**11,792,837**	84,949,378
Cash and Cash Equivalents, Beginning of Year	**229,587,057**	144,637,679
Cash and Cash Equivalents, End of Year	**$ 241,379,894**	$ 229,587,057
Reconciliation of Operating Income (Loss) to Cash Flows Provided by Operating Activities		
Operating income (loss)	**$ (18,779,472)**	$ 25,906,135
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Interest on bonds payable	**28,195,297**	31,090,434
Net decrease (increase) in fair market value of investments	**23,293,995**	(16,757,258)
Interest from investments	**(9,433,997)**	(10,196,260)
Bond financing costs	**4,254,440**	2,402,015
Provision for loan loss	**2,826,771**	1,755,899
Depreciation	**465,933**	455,137
Changes in assets and liabilities		
Loan interest receivable	**252,376**	660,095
Accounts payable and other liabilities	**(198,732)**	683,134
Mortgage loans receivable	**115,652,412**	139,898,633
Investments - program mortgage-backed securities	**(132,484,566)**	(103,540,014)
Line of credit receivable	**(14,240)**	(2,204,551)
Other receivables	**1,661,113**	1,429,897
Other assets	**907,413**	(186,692)
Decrease/(increase) related to pensions	**198,042**	(131,296)
Multifamily escrows and reserves	**(1,833,250)**	(1,352,238)
Net Cash Provided by Operating Activities	**$ 14,963,535**	$ 69,913,070

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 $305,315,000 for 2017. 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 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.

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.

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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.

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.

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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.

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 liability/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 ($933,114) and ($730,735) at June 30, 2017 and 2016, 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.

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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.

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, 2017 and 2016, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

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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, 2017 and 2016, of the Authority's deposits of $8,334,614 (carrying value of $8,080,665) and $4,473,271 (carrying value of $4,126,308), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The $1,054,800 and $4,468,214 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2017 and 2016, 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.

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, 2017 and 2016, 56% and 52%, respectively, of the Authority's securities were invested in mortgage pass-through securities. As of June 30, 2017 and 2016, the Authority had investments maturing as follows:

		2017 Investment Maturities (in Years)			
	Fair Value	**Less Than 1**	**1 to 5**	**6 to 10**	**Greater Than 10**
U.S Government obligations	**$ 143,079,124**	**$ 18,046,278**	**$ 97,533,746**	**$ 26,221,655**	**$ 1,277,445**
U.S. Agency obligations	**639,333,263**	**6,999,089**	**78,637,905**	**43,853,425**	**509,842,844**
Money market/mutual funds	**232,577,857**	**232,577,857**	**-**	**-**	**-**
Investment agreements	**186,002**	**-**	**-**	**-**	**186,002**
Certificates of deposit	**6,702,879**	**2,485,847**	**4,217,032**	**-**	**-**
State obligations	**3,197,349**	**-**	**1,233,507**	**1,963,842**	**-**
Total	**$ 1,025,076,474**	**$ 260,109,071**	**$ 181,622,190**	**$ 72,038,922**	**$ 511,306,291**

		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

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At June 30, 2017 and 2016, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2017			
	Homeownership Mortgage Bonds	**Single Family Mortgage Bonds**	**Multiple Purpose Bonds**	**Multifamily Risk Sharing Bonds**
Capital reserve for debt service	**$ 27,238,784**	**$ -**	**$ 3,061,493**	**$ 186,002**
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	**12,468,908**	**-**	**-**	**-**
Debt service reserve	**-**	**4,208,850**	**-**	**-**
Total	**$ 39,707,692**	**$ 4,208,850**	**$ 3,061,493**	**$ 186,002**

	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

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	**2017**	2016
Aaa	**$ 691,450,018**	$ 606,885,412
Aa	**809,628**	720,782
Unrated	**8,771,198**	10,309,729
Total	**$ 701,030,844**	$ 617,915,923

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, 2017, the Authority held 5% or more of their investments with the following issuers: Federal Home Loan Mortgage Corporation (6.71%) and Federal National Mortgage Association (22.08%). At June 30, 2016, the following issuers held 5% or more of the Authority's investments: Federal Home Loan Bank (7.06%) and Federal National Mortgage Association (21.90%).

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Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

		2017		2016
Homeownership Mortgage Loans	**$**	**297,932,994**	$	372,267,733
Single Family Mortgage Loans		**123,098,615**		154,025,660
Multiple Purpose Loans		**18,498,116**		24,159,624
Other (General Operating Account)		**82,825,160**		82,119,180
Total	**$**	**522,354,885**	$	632,572,197

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 $1,468,786 and $1,269,953 as of June 30, 2017 and 2016, 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 $17,130,037 and $15,403,438 as of June 30, 2017 and 2016, 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, 2017 and 2016 is $1,261,998 and $282,380, respectively.

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, 2017. The Authority is in the process of extending the line. As of June 30, 2017 and 2016, the balance of this line of credit receivable was $34,360,782 and $34,346,542, respectively.

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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):

			2017			2016
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2007 Series A	2017-2019	4.05% - 4.2%	$ -	$ -	**$ -**	$ 4,190
2007 Series D	2017	4.25%	-	-	**-**	370
2007 Series G	2017-2018	4.05% - 4.2%	-	-	**-**	2,940
2007 Series H	2022	4.95%	-	-	**-**	7,455
2007 Series I	2026-2038	.45%(2)	-	-	**-**	34,000
2008 Series A	2017-2018	4.125% - 4.375%	-	-	**-**	3,840
2008 Series B	2018-2023	5.45%	-	-	**-**	1,045
2008 Series C	2028-2039	.45%(2)	-	-	**-**	50,000
2008 Series D	2018-2019	4.3% - 4.45%	4,125		**4,125**	6,300
2008 Series E	2023-2027	5.375% - 5.60%	-	1,955	**1,955**	3,320
2008 Series F	2027-2039	.95%(2)	-	34,000	**34,000**	34,000
2008 Series G	2018-2023	5.85%	-	215	**215**	415
2009 Series A	2017-2039	.41%(2)	-	-	**-**	39,365
2009 Series B	2018-2021	3.75%-4.125%	10,720	-	**10,720**	13,810
2009 Series C	2027-2039	.94%(2)	-	22,000	**22,000**	22,000
2012 Series A	2017-2031	2.10%-4.5%	1,855	7,255	**9,110**	11,960
2012 Series B	2018-2026	1.85%-3.25%	10,745	5,965	**16,710**	18,485
2012 Series D	2017-2029	1.75%-4.0%	12,015	9,060	**21,075**	24,505
2012 Series E	2022-2025	2.80%	-	9,355	**9,355**	9,355
2012 Series F	2029-2033	3.38%	-	11,025	**11,025**	14,155
2013 Series A	2017-2030	1.55%-3.0%	2,335	5,110	**7,445**	9,160
2013 Series B	2019-2025	1.65%-3.0%	7,940	-	**7,940**	7,940
2013 Series C	2030-2038	3.55%-3.75%	-	5,440	**5,440**	6,395
2013 Series D	2043	3.25%-4.0%	-	41,499	**41,499**	49,226
2013 Series E	2017-2044	1.55%-4.0%	3,300	7,680	**10,980**	13,635
2013 Series F	2020-2044	2.45%-4.4%	7,845	10,670	**18,515**	21,100
2014 Series A	2017-2044	1.375%-4.0%	3,955	10,080	**14,035**	16,695
2014 Series B	2020-2024	2.2%-3.25%	7,750	-	**7,750**	7,750
2014 Series C	2024-2029	3.25%-3.85%	3,450	7,215	**10,665**	12,610
2014 Series D	2017-2029	1.0%-3.20%	27,080	12,935	**40,015**	45,790
2014 Series E	2030-2044	4.00%	-	15,055	**15,055**	17,265
2014 Series F	2017-2034	1.338%-4.0%	14,560	12,955	**27,515**	31,865
2015 Series A	2024-2031	2.5%-3.4%	4,540	9,450	**13,990**	18,305
2015 Series B	2017-2024	1.128%-3.272%	27,350	-	**27,350**	31,810
2015 Series C	2045	1.2%(2)	-	30,000	**30,000**	30,000
2015 Series D	2017-2045	.90%-4.0%	19,165	25,090	**44,255**	48,265
2015 Series E	2027-2037	3.54%(2)	-	25,000	**25,000**	25,000
2016 Series A	2017-2036	1.35%-3.8%	19,930	16,895	**36,825**	44,680
2016 Series B	2017-2046	.70%-3.5%	14,625	39,440	**54,065**	55,000
2016 Series C	2017-2025	.85%-2.45%	38,115	-	**38,115**	-
2016 Series D	2017-2046	.85%-3.5%	23,060	52,545	**75,605**	-
2016 Series E	2029-2037	3.60%(2)	-	50,000	**50,000**	-
2017 Series A	2017-2037	1.3%-3.89%	11,785	13,085	**24,870**	-
2017 Series B	2022-2047	1.75%-4.0%	25,800	84,700	**110,500**	-
2017 Series C	2017-2039	1.05%-4.0%	19,960	10,280	**30,240**	-
Plus unamortized premium					**16,599**	10,952
Total Homeownership Mortgage Program Bonds					**$ 924,558**	$ 804,953

(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):

			2017			2016
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2010-1/2009-1A	2028	3.43%	$ -	$ 9,390	**$ 9,390**	$ 42,810
2010-2/2009 1-B	2017-2041	2.625%-4.5%	2,335	23,880	**26,215**	35,575
2011-1/20091-C	2017-2028	2.6%-5.0%	7,380	2,630	**10,010**	43,240
2011-2/20091-D	2017-2041	2.4%-4.25%	15,995	29,165	**45,160**	59,880
2016-1	2017-2041	1.05%-3.77%	10,660	38,860	**49,520**	-
Plus unamortized premium					**1,162**	884
Total Single Family Mortgage Bonds					**$ 141,457**	$ 182,389

(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):

			2017			2016
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2008 Series A	2017-2048	1.03%(2)	$ -	$ 6,685	**$ 6,685**	$ 6,785
2009 Series A	2017-2048	1.07%(2)	-	6,255	**6,255**	6,325
2013 Series A	2018-2028	1.75%-3.65%	4,435	1,720	**6,155**	7,875
Total Multiple Purpose Bonds					**$ 19,095**	$ 20,985

(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):

			2017			2016
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 2001	2031	1.0%(2)	$ -	$ 6,495	**$ 6,495**	$ 6,495
Series 2001	2034	1.02%(2)	-	10,385	**10,385**	12,150
Country Meadow	2044	.93%(2)	-	4,920	**4,920**	4,920
Total Multifamily Housing Revenue Bonds					**$ 21,800**	$ 23,565

(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):

			2017			2016
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 2000	2018-2032	5.85%	$ -	$ 2,450	**$ 2,450**	$ 2,540
Series 2001	2016	5.35%	-	-	**-**	6,875
Total Multifamily Risk Sharing Bonds					**$ 2,450**	$ 9,415
Total Bonds Outstanding					**$ 1,109,360**	$ 1,041,307

(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, 2017 and 2016:

	Balance July 1, 2016	**Additions**	**Deductions**	**Balance June 30, 2017**	**Amounts Due Within One Year**
Homeownership Mortgage Program Bonds	**$ 794,001,049**	**$ 333,225,000**	**$ 219,266,580**	**$ 907,959,469**	**$ 32,063,054**
Single Family Mortgage Bonds	**181,505,000**	**53,660,000**	**94,870,000**	**140,295,000**	**6,305,000**
Multiple Purpose Bonds	**20,985,000**	**-**	**1,890,000**	**19,095,000**	**1,395,000**
Multifamily Housing Revenue Bonds	**23,564,999**	**-**	**1,764,999**	**21,800,000**	**-**
Multifamily Risk Sharing Bonds	**9,415,000**	**-**	**6,965,000**	**2,450,000**	**95,000**
Unamortized Premium/Discount	**11,835,670**	**8,882,938**	**2,958,366**	**17,760,242**	**-**
	$ 1,041,306,718	**$ 395,767,938**	**$ 327,714,945**	**$ 1,109,359,711**	**$ 39,858,054**

	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

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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	Homeownership Mortgage Program Bonds Interest	Single Family Mortgage Bonds Principal	Single Family Mortgage Bonds Interest	Multiple Purpose Bonds Principal	Multiple Purpose Bonds Interest
2018	$ 32,063,054	$ 24,920,490	$ 6,305,000	$ 4,496,073	$ 1,395,000	$ 432,417
2019	38,045,000	24,966,556	6,515,000	4,320,667	1,425,000	408,463
2020	36,390,000	24,215,381	6,530,000	4,134,795	1,460,000	379,228
2021	35,190,000	23,453,865	5,810,000	3,939,256	1,490,000	345,832
2022	34,360,000	22,519,546	5,285,000	3,734,101	870,000	307,999
2023-2027	167,720,000	99,299,143	18,330,000	16,671,006	1,250,000	1,409,181
2028-2032	169,745,000	73,662,725	24,315,000	13,044,466	2,095,000	1,173,527
2033-2037	143,515,000	50,958,685	33,400,000	8,181,421	2,055,000	930,853
2038-2042	95,980,000	32,844,362	33,805,000	2,665,667	2,650,000	659,305
2043-2047	151,961,415	9,906,933	-	-	3,400,000	318,741
2047-2051	2,990,000	59,800	-	-	1,005,000	16,575
Total	$ 907,959,469	$ 386,807,486	$ 140,295,000	$ 61,187,452	$ 19,095,000	$ 6,382,121

Year Ended June 30	Multifamily Housing Revenue Bonds Principal	Multifamily Housing Revenue Bonds Interest	Multifamily Risk Sharing Bonds Principal	Multifamily Risk Sharing Bonds Interest
2018	$ -	$ 206,930	$ 95,000	$ 143,325
2019	-	207,421	100,000	137,767
2020	-	207,667	110,000	131,918
2021	-	207,175	115,000	125,482
2022	-	207,421	125,000	118,755
2023-2027	-	1,037,105	750,000	475,313
2028-2032	6,495,000	954,406	1,155,000	224,640
2033-2037	10,385,000	445,526	-	-
2038-2042	-	216,480	-	-
2043-2047	4,920,000	68,552	-	-
	$ 21,800,000	$ 3,758,683	$ 2,450,000	$ 1,357,200

Note 7 - Refunding of Debt:

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.

In November 2016 the Authority issued $53,660,000 of fixed rate Single Family Mortgage Bonds, 2016 Series 1. The 2016 Series 1 Bonds, totaling $53,660,000 were used to refund $54,400,000 of Single Family Mortgage Bonds, 2009 Series 1-A and 2009 Series 1-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 $11.5 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 1 Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately $3.4 million.

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In November 2016 the Authority issued $38,115,000 of fixed rate Homeownership Mortgage Bonds, 2016 Series C. The 2016 Series C Bonds, totaling $38,115,000 were used to refund $38,115,000 of Homeownership Mortgage Bonds, 2009 Series A (the Refunded Bonds). The purpose of the refunding was to transfer excess yield from the Refunded Bonds to the 2016 Series C Bonds and to replace variable rate debt with fixed rate debt, which would have decreased total debt service payments by approximately $0.9 million assuming the variable rate on the refunded bonds would have remained at 0.54%, the same rate as the rate 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 2016 Series C Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic loss of approximately $3.8 million.

In June 2017 the Authority issued $24,870,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series A. The 2017 Series A Bonds, totaling $24,870,000 were used to refund $24,870,000 of Homeownership Mortgage Bonds, 2007 Series I (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 $13.3 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 2017 Series A Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately $2.6 million.

In June 2017 the Authority issued $30,240,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series C. The 2017 Series C Bonds, totaling $30,240,000 along with premium generated from the bond sale, were used to refund $31,090,000 of Homeownership Mortgage Bonds, 2008 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 $12.4 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 2017 Series C Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately $4.0 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.

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Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2017 and 2016, 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, 2017**	**Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2017**	Fair Value June 30, 2016	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2016
Merrill Lynch Capital Services									
2007 I	-	10/16/2007 6/15/2017	4.14%	63.8% of LIBOR plus 0.30%	Baa1	**$ -**	**$ 1,773,345**	$ (1,773,345)	$ 933,384
JPMorgan Chase Bank, N.A.									
2008 F	34,000,000	9/4/2008 5/1/2039	3.85%	63.7% of LIBOR plus 0.31%	Aa2	**(1,322,222)**	**1,311,074**	(2,633,296)	373,103

Moody's Investor Service

Bond Series	Current Notional Amount	Effective/ Termination Date	Rate Payable	Rate Receivable	Counterparty Credit Rating*	**Fair Value June 30, 2017**	**Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2017**	Fair Value June 30, 2016	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2016
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	**(46,435)**	**1,575,631**	(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	**291,194**	**323,916**	(32,722)	(32,722)
2016 E-1	50,000,000	11/1/2016 5/1/2037	2.21%	66.4% of LIBOR plus 0.23%	Aa1	**385,558**	**385,558**	-	-
2016 E-2	50,000,000	11/1/2016 5/1/2037	66.4% of 1M LIBOR plus 0.23%	21yrMMD plus 0.95%	Aa1	**653,039**	**653,039**	-	-
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	**(894,201)**	**867,306**	(1,761,507)	(328,961)
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
2006 C	-	6/14/2006 5/1/2037	4.42%	64% of LIBOR plus 0.29%	Aa3	**-**	**-**	-	1,769,686
2008 C	-	4/23/2008 5/1/2039	3.44%	63.7% of LIBOR plus 0.30%	Aa3	**-**	**1,833,357**	(1,833,357)	288,560
MPB 2008 A	6,685,000	8/2/2008 5/1/2048	3.55%	63.8% of LIBOR plus 0.20%	Aa3	**(233,913)**	**244,973**	(478,886)	48,214
	$ 212,685,000					**$ (1,166,980)**		$ (10,135,179)	

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

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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, 2017 and 2016. 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, 2017 and 2016, 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, 2017 and 2016, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.16% and 1.20% per annum, respectively, while the weighted average interest rate on the swaps was 1.27% and 1.32% 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.

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 bonds associated with swaps will be limited to thirty percent (30%) of the total of all outstanding bonds under the related indenture at the time bonds associated with swaps are issued. The total outstanding bonds associated with swaps with a single counterparty will not exceed $150,000,000.

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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, 2017:

Year Ended	Variable Rate Bond		Interest Rate	
June 30	Principal	Interest	Swap - Net	Total
2018	$ 105,000	$ 3,289,939	$ (40,826)	$ 3,354,113
2019	110,000	3,288,831	247,194	3,646,025
2020	120,000	3,287,673	535,085	3,942,758
2021	120,000	3,286,437	532,002	3,938,439
2022	130,000	3,285,175	528,855	3,944,030
2023-2027	1,370,000	16,404,810	2,591,740	20,366,550
2028-2032	47,755,000	14,401,134	2,162,274	64,318,408
2033-2037	70,645,000	6,100,304	2,243,504	78,988,808
2038-2042	15,285,000	358,880	894,069	16,537,949
2043-2047	1,670,000	100,863	251,573	2,022,436
2048-2051	375,000	9,450	23,571	408,021
	$ 137,685,000	$ 53,813,496	$ 9,969,041	$ 201,467,537

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, 2017 and 2016.

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.

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Outstanding forward sales contracts as of June 30, 2017 are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2017	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2017	Moody's Credit Rating
Bank of New York Mellon						
FNMA	$ 500,000	4/18/2017	7/13/2017	4.00%	$ 469	Aaa
FNMA	800,000	5/11/2017	8/14/2017	4.00%	(4,875)	Aaa
GNMA II	76,988	6/16/2017	7/20/2017	4.00%	84	Not rated
Bank of America Merrill Lynch						
GNMA II	1,000,000	5/19/2017	8/21/2017	3.00%	3,750	Not rated
Bank of Oklahoma						
GNMA II	1,300,000	4/26/2017	7/20/2017	3.50%	(3,656)	Not rated
FNMA	800,000	5/11/2017	8/14/2017	3.50%	(6,250)	Aaa
GNMA II	1,000,000	5/15/2017	7/20/2017	3.00%	625	Not rated
GNMA II	1,000,000	5/22/2017	8/21/2017	3.50%	3,281	Not rated
FNMA	500,000	5/31/2017	8/14/2017	3.50%	1,680	Aaa
FNMA	1,000,000	6/13/2017	9/13/2017	4.00%	2,266	Aaa
FNMA	1,000,000	6/16/2017	9/13/2017	3.50%	4,492	Aaa
GNMA II	1,000,000	6/16/2017	8/21/2017	3.00%	7,031	Not rated
GNMA II	134,117	6/16/2017	7/20/2017	3.50%	482	Not rated
GNMA II	1,000,000	6/21/2017	9/21/2017	3.50%	3,984	Not rated
GNMA II	1,000,000	6/28/2017	9/21/2017	3.50%	3,203	Not rated
ED&F Man Capital Markets						
FNMA	500,000	4/20/2017	7/13/2017	3.50%	(938)	Aaa
GNMAII	1,000,000	4/21/2017	7/20/2017	3.50%	1,445	Not rated
FNMA	500,000	4/26/2017	7/13/2017	3.50%	(2,734)	Aaa
FNMA	500,000	4/26/2017	7/13/2017	4.00%	(2,188)	Aaa
GNMAII	1,000,000	4/26/2017	7/20/2017	3.00%	(1,563)	Not rated
GNMAII	1,000,000	5/1/2017	7/20/2017	3.50%	(1,406)	Not rated
FNMA	500,000	5/4/2017	7/13/2017	3.50%	(2,656)	Aaa
FNMA	500,000	5/4/2017	7/13/2017	4.00%	(1,875)	Aaa
GNMAII	1,000,000	5/9/2017	7/20/2017	3.00%	(2,578)	Not rated
GNMAII	800,000	5/10/2017	7/20/2017	3.50%	(2,438)	Not rated
FNMA	1,000,000	5/17/2017	8/14/2017	3.50%	3,281	Aaa
FNMA	500,000	5/18/2017	8/14/2017	4.00%	1,523	Aaa
FNMA	500,000	5/25/2017	8/14/2017	3.00%	938	Aaa
GNMAII	1,000,000	5/25/2017	8/21/2017	3.00%	5,313	Not rated
GNMAII	1,000,000	5/25/2017	8/21/2017	3.50%	4,531	Not rated
GNMAII	1,800,000	6/5/2017	8/21/2017	3.50%	9,281	Not rated
FNMA	500,000	6/7/2017	8/14/2017	4.00%	2,188	Aaa
GNMAII	500,000	6/7/2017	8/21/2017	3.00%	5,039	Not rated
FNMA	(1,088,180)	6/8/2017	7/13/2017	3.50%	(4,931)	Aaa
GNMAII	1,200,000	6/9/2017	8/21/2017	3.50%	5,344	Not rated
GNMAII	1,500,000	6/15/2017	8/21/2017	3.50%	7,031	Not rated
GNMAII	1,012,436	6/16/2017	7/20/2017	3.50%	3,955	Not rated
FNMA	800,000	6/21/2017	9/13/2017	4.00%	2,063	Aaa
GNMAII	1,000,000	6/22/2017	9/21/2017	3.00%	8,047	Not rated
GNMAII	3,000,000	6/26/2017	7/20/2017	3.50%	19,219	Not rated
GNMAII	(3,000,000)	6/26/2017	7/20/2017	3.50%	(13,125)	Not rated
FNMA	500,000	6/27/2017	9/13/2017	3.50%	1,738	Aaa
GNMAII	1,000,000	6/29/2017	9/21/2017	3.00%	2,813	Not rated
	$ 32,135,361				$ 63,883	

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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 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
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
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)	

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Note 9 - Fair Value

The Authority had the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments by fair value level			
US Treasuries	$ -	$ 143,079,124	$ -
US Government Agencies	-	639,333,263	-
Money Market Mutual Funds	232,577,857	-	-
Investment Agreements	-	186,002	-
Certificates of Deposit	-	6,702,879	-
State Obligations	-	3,197,349	-
Total investments by fair value level	$ 232,577,857	$ 792,498,617	$ -
Hedging derivative instruments			
Interest Rate Swaps	$ -	$ (1,166,980)	$ -
Forward MBS Contracts	-	63,883	-
Total hedging derivative instruments	$ -	$ (1,103,097)	$ -

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)	$ -

The Authority obtains its 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.

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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.

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:

	2017	2016
Bond and notes reserve	**$ 2,668,374**	$ 2,491,228
Program operations reserve	**4,946,107**	4,547,479
Total	**$ 7,614,481**	$ 7,038,707

Note 11 - Commitments:

As of June 30, 2017, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating $68,538,960.

(continued on next page)

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, 2017 and 2016, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds and the Multiple Purpose Bonds follows:

	2017			2016		
	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)	**$ 11,197,629**	**$ (2,173,425)**	**$ (79,877)**	$ 12,517,100	$ (477,673)	$ (86,740)
Current assets	**329,643,275**	**28,693,336**	**11,040,698**	222,561,800	36,935,930	11,882,690
Noncurrent assets	**939,611,824**	**118,641,416**	**73,297,144**	946,536,051	149,383,672	73,897,331
Total Assets	**1,280,452,728**	**145,161,327**	**84,257,965**	1,181,614,951	185,841,929	85,693,281
Deferred Outflows of Resources	**2,696,422**	**-**	**500,677**	10,517,545	-	836,269
Total Assets and Deferred Outflows of Resources	**$ 1,283,149,150**	**$ 145,161,327**	**$ 84,758,642**	$ 1,192,132,496	$ 185,841,929	$ 86,529,550
Liabilities						
Current liabilities	**$ 35,585,145**	**$ 7,077,820**	**$ 1,489,701**	$ 27,788,486	$ 5,879,490	$ 1,561,050
Noncurrent liabilities	**893,428,162**	**135,151,562**	**17,933,913**	791,251,422	177,584,116	19,998,886
Total Liabilities	**929,013,307**	**142,229,382**	**19,423,614**	819,039,908	183,463,606	21,559,936
Deferred Inflows of Resources	**1,429,994**	**-**	**-**	1,125,623	-	-
Total Liabilities and Deferred Inflows of Resources	**930,443,301**	**142,229,382**	**19,423,614**	820,165,531	183,463,606	21,559,936
Net Position						
Net investment in capital assets	**-**	**-**	**(1,688,706)**	-	-	(1,565,601)
Restricted by bond indentures	**352,705,849**	**2,931,945**	**67,023,734**	371,966,965	2,378,323	66,535,215
Total Liabilities, Deferred Inflows, and Net Position	**$ 1,283,149,150**	**$ 145,161,327**	**$ 84,758,642**	$ 1,192,132,496	$ 185,841,929	$ 86,529,550
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	**$ 12,803,243**	**$ 6,065,019**	**$ 1,170,507**	$ 53,843,484	$ 8,247,352	$ 3,183,712
Operating expenses	**28,896,714**	**5,511,397**	**805,093**	28,376,715	7,604,565	832,956
Operating income	**(16,093,471)**	**553,622**	**365,414**	25,466,769	642,787	2,350,756
Transfers in (out)	**(3,167,645)**	**-**	**-**	(3,771,752)	-	-
Change in net position	**(19,261,116)**	**553,622**	**365,414**	21,695,017	642,787	2,350,756
Beginning net position	**371,966,965**	**2,378,323**	**64,969,614**	350,271,948	1,735,536	62,618,858
Ending net position	**$ 352,705,849**	**$ 2,931,945**	**$ 65,335,028**	$ 371,966,965	$ 2,378,323	$ 64,969,614
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	**$ (32,666,175)**	**$ 38,197,089**	**$ 6,763,430**	$ 12,198,428	$ 48,816,140	$ 3,684,016
Noncapital financing activities	**89,002,859**	**(46,266,083)**	**(2,189,605)**	(21,295,377)	(47,349,471)	(2,638,247)
Capital and related financing activities	**-**	**-**	**(118,306)**	-	-	(70,105)
Investing activities	**(26,963,767)**	**(7,276,089)**	**(4,729,136)**	68,953,642	20,215,400	(712,966)
Net change	**29,372,917**	**(15,345,083)**	**(273,617)**	59,856,693	21,682,069	262,698
Beginning cash and cash equivalents	**186,534,895**	**28,377,930**	**2,643,833**	126,678,202	6,695,861	2,381,135
Ending cash and cash equivalents	**$ 215,907,812**	**$ 13,032,847**	**$ 2,370,216**	$ 186,534,895	$ 28,377,930	$ 2,643,833

Note 13 - Pension Plan:

Plan Information:

All employees, working more than 20 hours per week during the year, 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.

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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, 2017, 2016 and 2015 were $201,074, $198,406 and $177,841, respectively, equal to the required contributions each year.

Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2017 and 2016, SDRS is 96.9% and 104.1%, respectively, funded and accordingly has a net pension liability and asset, respectively. The proportionate shares of the components of the net pension liability (asset) of SDRS, for the Authority as of June 30, 2017 and 2016 are as follows:

	2017	2016
Proportionate share of total pension liability	$ 18,873,225	$ 16,806,933
Less proportionate share of net position restricted for pension benefits	18,285,718	17,495,498
Proportionate share of net pension liability (asset)	$ 587,507	$ (688,565)

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At June 30, 2017 and 2016, the Authority reported a liability (asset) of $587,507 and ($688,565), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2016 and 2015 and the total pension liability (asset) used to calculate the net pension liability (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, 2016, the Authority's proportion was 0.1739267% which was an increase of 7.1% or 0.0115786% from its proportion measured as of June 30, 2015 of 0.1623481%, which was an increase of 5.6% or 0.0085491% from its proportion measured as of June 30, 2014 of 0.153799%.

For the years ended June 30, 2017 and 2016, the Authority recognized pension expense of $411,845, and pension expense of $67,103, respectively. At June 30, 2017, 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	$ 204,524	$ -
Changes in assumption	351,889	-
Net difference between projected and actual earnings on pension plan investments	653,506	-
Changes in proportion and difference between Authority contributions and proportionate share of contributions	-	70,580
Authority contributions subsequent to the measurement date	201,074	-
Total	$ 1,410,993	$ 70,580

At June 30, 2017, there is $ 201,074 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

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:	
2018	$ 305,736
2019	176,746
2020	397,563
2021	259,294
Total	$ 1,139,339

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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 was $198,406 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 liability in the year ending June 30, 2017.

Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2016 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 3.75% 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, 2016 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, 2011.

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

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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, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
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 liability (asset)	$ 3,287,683	$ 587,507	$ (1,614,776)

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, 2017 and 2016, 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

(continued on next page)

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.

Note 16 - Capital Assets:

	Beginning Balance July 1, 2016	Increase	Decrease	Ending Balance June 30, 2017
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	-	41,800	4,907,732
Land improvements	1,261,944	-	-	1,261,944
Furniture and equipment	3,956,714	268,498	116,920	4,108,292
Total capital assets depreciated	10,168,190	268,498	158,720	10,277,968
Total capital assets	10,388,599	268,498	158,720	10,498,377
Less accumulated depreciation for:				
Buildings	962,637	125,733	41,800	1,046,570
Land improvements	683,064	38,147	-	721,211
Furniture and equipment	2,943,048	302,053	114,641	3,130,460
Total accumulated depreciation	4,588,749	465,933	156,441	4,898,241
Capital assets, net	$ 5,799,850	$ (197,435)	$ 2,279	$ 5,600,136

	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

(continued on next page)

Note 17 - Accounts Payable and Other Accruals:

Payables at June 30, 2017 and 2016 were as follows:

	2017	2016
Accounts Payable		
Contractual	**$ 47,383**	$ 35,872
Travel/moving costs	**20,010**	16,862
Office	**22,741**	6,751
Marketing	**13,524**	11,533
Maintenance	**14,675**	14,789
Capital assets	**-**	92,658
Cost of issuance	**18,090**	-
General	**5,176**	3,514
Prepaid sales	**318,700**	364,879
Excise/Unemployment tax	**8,075**	8,500
Materials/tools	**388,664**	129,850
	857,038	685,208
Other Liabilities		
Amount held for SD Homebuilders Association	**950,768**	950,768
Accrued vacation	**552,833**	573,219
Accrued payroll/taxes	**30,042**	147,641
Pension liability	**587,507**	-
Employee withholdings	**16,393**	(1,703)
EMAP payable	**(2,976)**	(2,975)
Servicing fee	**73,636**	709,438
Arbitrage payable	**22,182**	22,971
Total accounts payable and other liabilities	**3,087,423**	3,084,567
Current liabilities	**1,549,148**	2,133,799
Noncurrent liabilities	**$ 1,538,275**	$ 950,768

# # # # #

South Dakota Housing Development Authority

Required Supplementary Information
June 30, 2017

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS

South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 201	$ 198	$ 178	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contribtutions in relation to the contractually required contribution	201	198	178	-	-	-	-	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 3,351	$ 3,347	$ 3,004	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	6.00%	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.

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Authority's proportion of the net pension liability (asset)	0.173927%	0.162348%	0.153799%	%	%	%	%	%	%	%
Authority's proportionate share of net pension liability (asset)	$ 588	$ (689)	$ (1,108)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 3,347	$ 3,004	$ 2,760	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.57%	-22.94%	-40.14%							
Plan fiduciary net position as a percentage of the total pension liability (asset)	97%	104%	107%							

* The amounts presented were determined as of the plan's measurement date, which is one year prior to the Authority's fiscal year end.

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, 2017

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	$ 9,667,146	$ 215,907,812	$ 13,032,847	$ 2,370,216	$ 292,766	$ 109,107	**$ 241,379,894**
Investment securities - other	735,955	20,527,236	-	6,285,848	611,166	-	**28,160,205**
Investments - program mortgage-backed securities	-	52,649,315	22,339	-	-	-	**52,671,654**
Mortgage loans receivable, net	4,354,020	36,121,696	15,070,350	1,840,180	-	-	**57,386,246**
Guaranteed mortgage securities	-	-	-	-	588,595	96,846	**685,441**
Interest receivable	205,441	3,418,038	567,800	544,454	735	16,827	**4,753,295**
Other receivables	2,095,819	955,295	-	-	-	-	**3,051,114**
Other assets	2,463,922	-	-	-	-	-	**2,463,922**
Hedging derivatives	-	63,883	-	-	-	-	**63,883**
Total Current Assets	19,522,303	329,643,275	28,693,336	11,040,698	1,493,262	222,780	**390,615,654**
Noncurrent Assets							
Investment securities - other	6,061,699	247,630,554	10,445,372	52,072,914	-	186,002	**316,396,541**
Investments - program mortgage-backed securities	-	395,429,961	167,779	-	-	-	**395,597,740**
Mortgage loans receivable, net	78,471,140	261,811,298	108,028,265	16,657,936	-	-	**464,968,639**
Guaranteed mortgage securities	-	-	-	-	20,841,423	2,172,198	**23,013,621**
Line of credit receivable	-	34,360,782	-	-	-	-	**34,360,782**
Other receivables	-	379,229	-	-	-	-	**379,229**
Furniture and equipment, net	655,151	-	-	322,681	-	-	**977,832**
Building, net	121,390	-	-	3,739,772	-	-	**3,861,162**
Land Improvement, net	36,892	-	-	503,841	-	-	**540,733**
Land	220,409	-	-	-	-	-	**220,409**
Due from (to) other funds	(8,935,327)	11,197,629	(2,173,425)	(79,877)	(9,000)	-	**-**
Total Noncurrent Assets	76,631,354	950,809,453	116,467,991	73,217,267	20,832,423	2,358,200	**1,240,316,688**
Total Assets	96,153,657	1,280,452,728	145,161,327	84,257,965	22,325,685	2,580,980	**1,630,932,342**
Deferred Outflow of Resources							
Loss on refunding	-	1,763,355	-	266,764	-	-	**2,030,119**
Swaps	-	933,067	-	233,913	-	-	**1,166,980**
Related to pensions	1,410,993	-	-	-	-	-	**1,410,993**
Total Assets and Deferred Outflow of Resources	$ 97,564,650	$ 1,283,149,150	$ 145,161,327	$ 84,758,642	$ 22,325,685	$ 2,580,980	**$ 1,635,540,434**

(continued on next page)

Supplemental Schedule of Net Position — *As of June 30, 2017*

	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	$ -	$ 32,063,054	$ 6,305,000	$ 1,395,000	$ -	$ 95,000	**$ 39,858,054**
Accrued interest payable	-	3,472,291	751,959	72,519	10,295	59,719	**4,366,783**
Accounts payable and other liabilities	1,456,305	49,800	20,861	22,182	-	-	**1,549,148**
Multifamily escrows and reserves	7,303,938	-	-	-	143,247	-	**7,447,185**
Total Current Liabilities	8,760,243	35,585,145	7,077,820	1,489,701	153,542	154,719	**53,221,170**
Noncurrent Liabilities							
Bonds payable	-	892,495,095	135,151,562	17,700,000	21,800,000	2,355,000	**1,069,501,657**
Accounts payable and other liabilities	1,538,275	-	-	-	-	-	**1,538,275**
Hedging derivatives	-	933,067	-	233,913	-	-	**1,166,980**
Total Noncurrent Liabilities	1,538,275	893,428,162	135,151,562	17,933,913	21,800,000	2,355,000	**1,072,206,912**
Total Liabilities	10,298,518	929,013,307	142,229,382	19,423,614	21,953,542	2,509,719	**1,125,428,082**
Deferred Inflow of Resources							
Forward contracts	-	63,883	-	-	-	-	**63,883**
Gain on refunding	-	1,366,111	-	-	-	-	**1,366,111**
Related to pensions	70,580	-	-	-	-	-	**70,580**
Total Liabilities and Deferred Inflow of Resources	10,369,098	930,443,301	142,229,382	19,423,614	21,953,542	2,509,719	**1,126,928,656**
Net Position							
Net investment in capital assets	1,033,842	-	-	(1,688,706)	-	-	**(654,864)**
Restricted for pension benefits	752,906	-	-	-	-	-	**752,906**
Restricted by statute	12,470,557	-	-	-	-	-	**12,470,557**
Restricted by bond indentures	-	352,705,849	2,931,945	67,023,734	372,143	71,261	**423,104,932**
Restricted by HOME and NSP Program	72,938,247	-	-	-	-	-	**72,938,247**
Total Net Position	87,195,552	352,705,849	2,931,945	65,335,028	372,143	71,261	**508,611,778**
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 97,564,650	$ 1,283,149,150	$ 145,161,327	$ 84,758,642	$ 22,325,685	$ 2,580,980	**$ 1,635,540,434**

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	$ 208,182	$ 16,935,854	$ 5,882,216	$ 1,221,915	$ 214,726	$ 154,611	**$ 24,617,504**
Earnings on investments and program mortgage-backed securities	177,741	17,389,870	233,437	1,214,319	54,139	10,314	**19,079,820**
Net increase/(decrease) in fair value of investments and program mortgage-backed securities	(101,548)	(21,862,639)	(50,634)	(1,277,823)	(1,351)	-	**(23,293,995)**
HUD contributions	28,291,641	-	-	-	-	-	**28,291,641**
Fee, grant and other income	7,195,360	340,158	-	12,096	-	-	**7,547,614**
Total Operating Revenues	35,771,376	12,803,243	6,065,019	1,170,507	267,514	164,925	**56,242,584**
Operating Expenses							
Interest	-	22,467,443	4,859,286	458,970	189,431	220,167	**28,195,297**
Housing assistance payments	23,751,236	-	-	-	-	-	**23,751,236**
Servicer fees	-	883,396	399,086	-	-	-	**1,282,482**
Arbitrage rebate expense (benefit)	-	(35,196)	-	-	-	-	**(35,196)**
General and administrative	5,459,312	1,077,727	11,140	297,123	55,782	19,087	**6,920,171**
Bond financing costs	-	4,018,304	187,136	49,000	-	-	**4,254,440**
Other housing programs	7,778,455	48,400	-	-	-	-	**7,826,855**
Provision for loan loss	2,335,382	436,640	54,749	-	-	-	**2,826,771**
Total Operating Expenses	39,324,385	28,896,714	5,511,397	805,093	245,213	239,254	**75,022,056**
Net Income Before Interfund Transfers	(3,553,009)	(16,093,471)	553,622	365,414	22,301	(74,329)	**(18,779,472)**
Interfund Transfers	3,167,645	(3,167,645)	-	-	-	-	**-**
Changes in Net Position	(385,364)	(19,261,116)	553,622	365,414	22,301	(74,329)	**(18,779,472)**
Net Position, Beginning of Fiscal Year	87,580,916	371,966,965	2,378,323	64,969,614	349,842	145,590	**527,391,250**
Net Position, End of Fiscal Year	$ 87,195,552	$ 352,705,849	$ 2,931,945	$ 65,335,028	$ 372,143	$ 71,261	**$ 508,611,778**

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
2015 C	4/30/2015	2.625%	$ 38,482	$ -	$ 38,482
2016 DE	11/15/2016	3.125%	53,295,364	-	53,295,364
2017 B	6/15/2017	3.125%	68,432,483	-	68,432,483
			$ 121,766,329		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

Type of Home	Number of Homes
Single Family Detached	95.43%
Single Family Townhouse/Condominium	2.74%
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	404	20,958,428
Total	404	$ 20,958,428

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	2	$ 268,822	6.850%	29	$ 1,033,875
4.125%	7	530,840	6.875%	2	32,055
4.375%	1	162,604	6.890%	10	285,453
4.500%	69	5,914,255	6.900%	15	572,059
4.600%	1	64,560	6.950%	58	2,191,416
4.625%	2	139,869	7.050%	3	75,417
4.750%	787	50,314,850	7.110%	50	1,680,413
4.850%	79	6,906,353	7.125%	2	124,864
4.950%	803	50,009,505	7.250%	53	1,066,679
5.000%	34	2,725,410	7.300%	27	707,682
5.125%	143	9,886,174	7.360%	7	235,311
5.150%	186	12,284,608	7.400%	21	836,183
5.250%	329	23,214,369	7.450%	7	285,823
5.375%	177	13,212,784	7.550%	11	474,732
5.425%	20	1,466,300	7.600%	10	273,511
5.450%	15	928,333	7.625%	18	180,683
5.500%	531	35,434,480	7.650%	2	123,587
5.625%	45	3,511,680	7.875%	5	44,784
5.750%	77	5,338,929	7.950%	15	333,347
5.850%	116	9,057,930	8.100%	1	19,232
5.950%	509	23,461,689	8.125%	4	20,907
6.000%	110	5,732,203	8.180%	9	39,583
6.125%	20	1,605,051	8.250%	8	34,021
6.150%	7	476,483	8.375%	8	67,374
6.250%	43	2,222,286	8.500%	10	68,177
6.375%	8	841,442	8.540%	5	18,443
6.400%	31	1,098,537	8.625%	2	11,174
6.450%	25	773,586	8.750%	3	18,764
6.500%	257	8,757,043	8.850%	5	23,653
6.600%	4	90,719	8.900%	2	12,286
6.625%	8	672,294	9.000%	1	4,483
6.650%	76	1,743,187	9.100%	1	8,013
6.750%	45	787,547			
				4,971	$ 290,538,707

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor		Percent of Principal Amount
FHA		32.44%
VA		4.59%
USDA Rural Development		39.65%
Private Mortgage Insurance		
Mortgage Guaranty Insurance Company	9.28%	
Genworth	2.31%	
PMI	0.32%	
United Guaranty Insurance	1.19%	
CMG Mortgage Insurance Company	0.21%	
Total PMI Insured Mortgage Loans		13.31%
Total Insured Mortgage Loans		89.99%
Uninsured		10.01%
Total All Mortgage Loans		100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
Great Western	$ 201,719,239
Bankwest	7,550,841
CorTrust Mortgage	67,829,443
First Bank & Trust	13,380,029
CU Mortgage	59,155
	$ 290,538,707

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2017	**As of 6/30/2016**	**As of 6/30/2017**	**As of 6/30/2016**
31-60 Days (one payment) Delinquent	4.63%	4.21%	5.02%	3.57%
61-90 Days (two payments) Delinquent	1.25%	1.20%	0.86%	1.13%
91 Days or More (three or more payments) Delinquent	1.35%	0.67%	0.93%	0.94%
Total Delinquent	7.23%	6.08%	6.81%	5.64%
In Foreclosure	1.65%	2.41%	2.23%	1.91%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	$ 1,200,072,871
Amount of Outstanding Homeownership Bonds	$ 907,959,469
Parity Calculation	132.17%
Parity Requirement	102.00%

Value of Principal Assets of Single Family Program	$ 149,808,437
Amount of Outstanding Single Family Bonds	$ 140,295,000
Parity Calculation	106.78%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority
Special Program Fund

Homeownership Program	$ 185,581,062
Single Family Program	$ -
Multi Purpose Program	$ 51,366,644

Table X

Description of Multifamily Developments

DESCRIPTION OF MULTIFAMILY DEVELOPMENTS

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2017:

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	343,689	0.00	-	
Edmonton Heights	Gregory	16	NA	524,000	-	0.00	368,424	3.00 %
Pheasant Valley Courtyard	Milbank	60	92.0	1,556,000	1,084,708	5.00	-	
Homestead Heights	Bison	16	95.3	355,400	15,409	6.06	-	
JARD Apartments	Sisseton	16	97.9	343,960	-	6.06	-	
Canterbury House	Sioux Falls	50	97.3	1,278,200	88,903	6.06	-	
Lynlo Heights	Armour	20	NA	462,900	-	6.06	218,000	3.00
The Lidi	Tyndall	24	95.5	493,500	10,800	6.06	-	
Huey Apartments	Sioux Falls	46 (1)	NA	1,390,000	-	0.00	-	
Bi-Centennial Apts	Aberdeen	48	99.8	1,026,244	55,311	6.06	-	
Grandview Apartments	Mitchell	34	96.6	734,500	16,046	6.06	-	
Heritage Estates II	Brookings	44	78.6	912,000	-	6.06	-	
Prairie View	Madison	25 (1)	76.7	576,000	-	6.06	-	
Maplewood Townhouses	Rapid City	100	98.2	2,859,100	402,445	6.78	-	
Canyon Ridge	Yankton	60	93.1	1,575,600	213,360	6.78	-	
Lombardi Courts	Mitchell	30	88.6	977,500	-	6.78	-	
Fifth Avenue South	Aberdeen	50	100.0	1,400,000	268,444	6.78	-	
Woodland Hills	Sioux Falls	32	94.5	1,100,000	171,871	6.78	-	
The Evans	Hot Springs	86 (1)	83.2	3,094,600	654,092	6.78	1,000,000	2.50
Dakota Square	Aberdeen	55	90.6	1,730,300	334,350	8.50	170,427	2.50
Majestic View Townhouses	Hot Springs	20	81.3	596,630	-	8.50	363,269	4.25
Senechal Apts	Philip	16	98.9	520,000	-	8.50	163,117	2.25
Riverview Townhouses	Philip	10	92.5	320,000	-	8.50	225,856	3.85
Gateway I Apts	Kadoka	16	66.1	479,000	-	8.50	-	
The Sherman	Aberdeen	51	98.5	1,950,000	569,657	8.50	-	
Presho Courts	Presho	8	63.5	439,000	-	8.50	-	
Parkview Apts	Madison	28	82.8	890,000	211,485	8.50	30,000	2.00
Oakwood Apts	Vermillion	28	92.3	890,000	196,298	8.50	-	
Arthur Courts	Redfield	16	73.9	510,000	-	8.50	-	
Terrawood Townhouses	Sioux Falls	4	98.0	100,900	-	8.72 (4)	146,704	2.00
Beadle Plaza	Sioux Falls	44	NA	1,353,096	-	8.72 (4)	-	
St. Cloud Apts	Rapid City	16 (1)	93.3	562,000	-	8.72 (4)	-	
Gateway II Apts	Kadoka	14	70.9	463,800	-	8.72 (4)	0	
Grand Valley Apts	Newell	12	84.0	368,600	127,905	8.72 (4)	-	
Sir Charles	Yankton	34	95.8	1,184,200	-	8.72 (4)	135,871	3.60
Timberland	Lead	24	76.4	85,300	-	9.65	1,063,146	3.75-5.00
Collins Apts	Sioux Falls	23	90.6	670,000	199,272	9.65	-	
Baha Townhouses	Sioux Falls	21	92.5	778,900	240,506	9.65	-	
Hospitality Apts	Sioux Falls	12	53.1	461,599	163,258	9.65	-	
Evergreen Lodge	Yankton	17	72.0	601,284	-	9.65	-	
Prairie West	Lemmon	18	72.2	630,900	216,101	9.65	-	
Sun Rise Apts	Aberdeen	14	92.0	474,500	179,941	9.65	-	
Cedar Apts	Brookings	32	77.6	1,068,800	-	9.65	-	
The Lidi II	Tyndall	10 (1)	82.5	255,000	82,987	9.65	-	
Gold Mountain Apt.	Lead	20	92.5	272,490	239,870	9.65	189,067	0.00
Calypso Court	Chamberlain	16	77.6	550,000	182,526	9.65	32,000	2.00
Riverview Park	Sioux Falls	50	92.7	1,873,700	-	9.65	-	
Olive Grove Apts	Sioux Falls	19	96.1	601,271	-	9.65	-	
Sunnycrest	Sioux Falls	60	97.3	7,320,000	6,346,440	3.55 - 4.65	-	
				$ 50,012,351	$ 12,615,674		$4,105,881	

(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, 2017.
(3) Amounts are balances as of June 30, 2017.
(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.