



South Dakota Housing Development Authority

Financial Report
June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Change in Accounting Principle

As discussed in Notes 2 and 19 to the financial statements, South Dakota Housing Development Authority has adopted the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. Accordingly, the June 30, 2018 financial statements have been adjusted to adopt this standard, which also included restatement of net position as of July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Dakota Housing Development Authority's financial statements. The supplementary schedules and tables set forth on pages 43 through 51 are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules and tables 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 schedules and tables are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2019, 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Aberdeen, South Dakota
October 16, 2019

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

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, 2019 (FY 2019) and 2018 (FY 2018). 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 daycare 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, and 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.

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

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, capital and related financing, and noncapital 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 2019, FY 2018, and FY 2017 for the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Net Position of the Authority:

Changes in Statement of Revenues, Expenses, and Net Position

(In Millions of Dollars)

	FY 2019	FY 2018 (Restated)	FY 2017 (Restated)	% Change 2019/2018	% Change 2018/2017 (Restated)
Revenues:					
Interest on mortgages	\$ 16.8	\$ 20.0	\$ 24.4	-16.0%	-18.0%
Investment income	33.7	20.1	19.0	67.7%	5.8%
Increase (Decrease) in fair market value of investments and program MBS	49.1	(24.0)	(23.3)	304.6%	-3.0%
HUD contributions	28.1	31.4	28.3	-10.5%	11.0%
Other income	7.4	5.9	7.6	25.4%	-22.4%
Total revenues	135.1	53.4	56.0	153.0%	-4.6%
Expenses:					
Interest	34.4	28.7	28.0	19.9%	2.5%
Servicer fees	1.2	1.1	1.3	9.1%	-15.4%
General and administrative	7.3	6.1	6.9	19.7%	-11.6%
Housing assistance payments	22.9	23.5	23.8	-2.6%	-1.3%
Other	12.7	11.9	14.8	6.7%	-19.6%
Total expenses	78.5	71.3	74.8	10.1%	-4.7%
Change in net position	\$ 56.6	\$ (17.9)	\$ (18.8)	416.2%	4.8%

Management's Discussion and Analysis
June 30, 2019 and 2018 (Unaudited)

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

	FY 2019	FY 2018 (Restated)	FY 2017 (Restated)	% Change 2019/2018	% Change 2018/2017 (Restated)
Assets:					
Cash and equivalents	\$ 245.5	\$ 215.3	\$ 241.1	14.0%	-10.7%
Investments	1,132.2	953.5	792.2	18.7%	20.4%
Mortgages and securities	399.1	446.0	524.6	-10.5%	-15.0%
Line of credit receivable	50.9	42.9	34.4	18.6%	24.7%
Interest receivable	5.6	4.8	4.8	16.7%	0.0%
Capital assets	5.1	5.3	5.6	-3.8%	-5.4%
Other	5.4	7.9	5.9	-31.6%	33.9%
Total assets	<u>1,843.8</u>	<u>1,675.7</u>	<u>1,608.6</u>	<u>10.0%</u>	<u>4.2%</u>
Deferred Outflows of Resources					
Deferred loss on refunding	3.1	3.4	2.0	-8.8%	70.0%
Deferred forward contract outflow	0.2	0.1	-	100.0%	100.0%
Deferred swap outflow	2.0	0.1	1.2	1900.0%	-91.7%
Deferred outflow related to pension	1.3	1.6	1.4	-18.8%	14.3%
Total assets and deferred outflows	<u>\$ 1,850.4</u>	<u>\$ 1,680.9</u>	<u>\$ 1,613.2</u>	<u>10.1%</u>	<u>4.2%</u>
Liabilities:					
Current bonds payable	\$ 46.7	\$ 39.9	\$ 39.8	17.0%	0.3%
Interest payable	6.6	5.0	4.4	32.0%	13.6%
Fair value of hedging derivatives	2.2	0.1	1.2	2100.0%	-91.7%
Other	8.5	7.8	10.4	9.0%	-25.0%
Noncurrent bonds payable	1,237.3	1,132.5	1,047.7	9.3%	8.1%
Total liabilities	<u>1,301.3</u>	<u>1,185.3</u>	<u>1,103.5</u>	<u>9.8%</u>	<u>7.4%</u>
Deferred Inflows of Resources					
Deferred forward contract inflow	-	-	0.1	0.0%	-100.0%
Deferred gain on refunding inflow	1.4	1.5	1.3	-6.7%	15.4%
Deferred swap inflow	0.4	3.4	-	-88.2%	100.0%
Deferred inflow related to pension	0.3	0.4	0.1	-25.0%	300.0%
Total liabilities and deferred inflows	<u>1,303.4</u>	<u>1,190.6</u>	<u>1,105.0</u>	<u>9.5%</u>	<u>7.7%</u>
Net Position:					
Net investment in capital assets	(1.0)	(0.9)	(0.7)	-11.1%	-28.6%
Restricted by state statute	15.3	10.4	12.5	47.1%	-16.8%
Restricted for pension benefits	1.0	1.3	0.8	-23.1%	62.5%
Restricted by bond indentures	453.2	401.7	422.7	12.8%	-5.0%
Restricted by HOME and NSP program	78.5	77.8	72.9	0.9%	6.7%
Total net position	<u>547.0</u>	<u>490.3</u>	<u>508.2</u>	<u>11.6%</u>	<u>-3.5%</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,850.4</u>	<u>\$ 1,680.9</u>	<u>\$ 1,613.2</u>	<u>10.1%</u>	<u>4.2%</u>

(continued on next page)

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

Financial Highlights for FY 2019

- Total operating revenues increased 153.0% to \$135.1 million for FY 2019, from \$53.4 million in FY 2018. The main factor contributing to this increase was the market value adjustment of investments and program mortgage-backed securities (MBS).
- Total operating expenses increased 10.1% to \$78.5 million for FY 2019, from \$71.3 million in FY 2018. The primary component of the increase was interest expense on an additional \$111.6 million in bonds.
- Net position of the Authority for FY 2019 was \$547.0 million, which represented an increase of \$56.7 million, or 11.6%, from the FY 2018 net position level.
- Mortgage loans receivable and multifamily guaranteed mortgage securities, net of adjustments for the potential for loan loss, was \$399.1 million at the end of FY 2019, which represented a decrease of \$46.9 million, or 10.5% for FY 2019, from the FY 2018 level of \$446.0 million. In the last half of FY 2019, 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.
- Investments were \$1,132.2 million at the end of FY 2019, which represented an increase of \$178.7 million, or 18.7%, from the FY 2018 total of \$953.5 million. The increase primarily related to additional MBS purchased in place of mortgage loans being issued as indicated in the previous paragraph.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) 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 \$50.9 million at the end of FY 2019 and \$42.9 million at the end of FY 2018.
- Interest income on mortgage loans was \$16.8 million for FY 2019, which represented a decrease of \$3.2 million from the \$20.0 million reported in FY 2018. As the loan balance decreased, so did the interest income on loans.
- Investment income was \$33.7 million for FY 2019, which represented an increase of \$13.6 million, or 67.7% in FY 2019, from \$20.1 million in FY 2018 due to the additional MBS's added in FY 2019 and the increase in short term interest rates. The fair market value increased by \$49.1 million in FY 2019 and decreased by \$24.0 million in FY 2018. The FY 2019 fair market increase was a result of interest rates plummeting at fiscal year-end. Ignoring the effects of the net increase in fair market value of investments, the change in net position would have been \$7.5 million for FY 2019 compared to \$6.1 million for FY 2018.
- Deferred outflows of resources from interest rate swaps at the end of FY 2019 increased to \$2.0 million from \$0.1 million at the end of FY 2018, or 1900.0%. Deferred inflows of resources from interest rate swaps at the end of FY 2019 decreased to \$0.4 million from \$3.4 million at the end of FY 2018, or 88.2%. Only two series have swaps remaining (see Note 9).

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

- Bonds and notes outstanding of the Authority were \$1,284.0 million for FY 2019, which was an increase of \$111.6 million, or 9.5% in FY 2019, from \$1,172.4 million in FY 2018 due to more bonds being issued during the year than bonds being redeemed or maturing.
- Interest expense on bonds and notes outstanding increased \$5.7 million, or 19.9% in FY 2019, from \$28.7 million in FY 2018 as a result of the additional \$111.6 million in bonds outstanding.
- The Authority performed an operating transfer of \$6.6 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. The extra \$2.6 million above the \$4.0 million for loan purchases was to clear out certain interfund receivables and payables between the two indentures that will no longer be paid back.

Financial Highlights for FY 2018

- Total operating revenues decreased 4.6% to \$53.4 million for FY 2018, from \$56.0 million in FY 2017. The main factor contributing to this decrease was the shrinking whole loan portfolio and the interest earned on these loans.
- Total operating expenses decreased 4.7% to \$71.3 million for FY 2018, from \$74.8 million in FY 2017. The primary components of the decrease were from allowance for loan loss and expenses related to the Governor's House program.
- Net position of the Authority for FY 2018 was \$490.3 million, which represented a decrease of \$17.9 million, or 3.5%, from the FY 2017 net position level.
- Mortgage loans receivable, net of adjustments for the potential for loan loss, was \$446.0 million at the end of FY 2018, which represented a decrease of \$78.6 million, or 15.0% for FY 2018, from the FY 2017 level of \$524.6 million. In the last half of FY 2018, 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.
- Investments were \$953.5 million at the end of FY 2018, which represented an increase of \$161.3 million, or 20.4%, from the FY 2017 total of \$792.2 million. The increase primarily related to additional MBS purchased in place of mortgage loans being issued as indicated in the previous paragraph.
- The line of credit receivable is a credit line in the maximum amount of \$60 million (or other amount as approved) 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 \$42.9 million at the end of FY 2018 and \$34.4 million at the end of FY 2017.
- Interest income on mortgage loans was \$20.0 million for FY 2018, which represented a decrease of \$4.4 million from the \$24.4 million reported in FY 2017. As the loan balance decreased, so did the interest income on loans.

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

- Investment income was \$20.1 million for FY 2018, which represented an increase of \$1.1 million, or 5.8% in FY 2018, from \$19.0 million in FY 2017 due to the additional MBS's added in FY 2018. The fair market value decreased by \$24.0 million in FY 2018 and decreased by \$23.3 million in FY 2017. The FY 2018 fair market decrease was a result of higher interest rates at fiscal year-end. Ignoring the effects of the net decrease in fair market value of investments, the change in net position would have been \$6.1 million for FY 2018 compared to \$4.5 million for FY 2017.
- Deferred outflows of resources from interest rate swaps at the end of FY 2018 decreased to \$0.1 million from \$1.2 million at the end of FY 2017, or 91.7%. Deferred inflows of resources from interest rate swaps at the end of FY 2018 increased to \$3.4 million from \$0 at the end of FY 2017. Only one swap remained with a negative market valuation, with the remaining swaps at a positive market valuation (see Note 9).
- Bonds and notes outstanding of the Authority were \$1,172.4 million for FY 2018, which was an increase of \$84.9 million, or 7.8% in FY 2018, from \$1,087.5 million in FY 2017 due to more bonds being issued during the year than bonds being redeemed or maturing.
- Interest expense on bonds and notes outstanding increased \$0.7 million, or 2.5% in FY 2018, from \$28.0 million in FY 2017 as a result of the additional \$84.9 million in current bonds outstanding.
- The Authority performed an operating transfer of \$0.8 million from the Homeownership Mortgage Loan Program and \$0.6 million from the Multiple Purpose Program to the General Operating Account. The Authority normally transfers up to 1% of loan purchases from the Homeownership Mortgage Loan Program. The \$0.6 million transferred from the Multiple Purpose Program was to cover the shortfall in escrows payable in the General Operating Account.

Loan Portfolio Activity for FY 2019 and FY 2018

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.

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 \$409 million of MBS's during FY 2019 compared to \$356 million in FY 2018.

The Homeownership Mortgage Loan Program purchased approximately \$356 million of MBS's during FY 2018 compared to \$318 million in FY 2017.

Management's Discussion and Analysis

June 30, 2019 and 2018 (Unaudited)

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 2019, the Authority had \$1,284.0 million in bonds outstanding, a 9.5% increase from FY 2018. As of FY 2018, the Authority had \$1,172.4 million in bonds outstanding, a 7.8% increase from FY 2017.

The Authority issued a total of \$198.0 million in bonds in FY 2019 as new long-term debt. Of that amount, \$176.6 million was new money and used to finance the Homeownership Mortgage Loan Program. \$21.4 million was used to replacement refund existing bonds, thereby freeing up \$21.4 million to use in the Homeownership Mortgage Loan Program. No bonds were issued to preserve bonding authority. The Authority issued a total of \$291.2 million in bonds in FY 2018. Of that total, \$226.7 million was issued as new long-term debt, \$9.8 million was used to replacement refund existing bonds, and \$54.7 was used to refund existing bonds. During FY 2019, the Agency chose to convert \$171.2 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 \$88.0 million in bonds in FY 2019. \$48.1 million was redeemed from refundings, prepayments, and excess reserves and \$39.9 million was maturing principal. The Authority retired or paid at maturity a total of \$209.8 million in bonds in FY 2018. \$169.9 million was redeemed from refundings, prepayments, and excess reserves and \$39.9 million was maturing principal.

The Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's in FY 2019 and FY 2018, and rated Aaa by Moody's Investors Service in FY 2019 and FY 2018. In FY 2019 and FY 2018, the Authority's Multiple Purpose Bonds were rated Aa3 by Moody's Investors Service. The Authority's Single Family Mortgage Bonds were rated Aa2 in FY 2019 and FY 2018. 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 2019 from \$5.3 million in FY 2018. This net change is due primarily to the amortization of existing assets.

Capital assets decreased by \$0.3 million in FY 2018 from \$5.6 million in FY 2017. 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 17, 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 100.02% funded. The State's foreclosure rate of 0.55%, delinquency rate of 2.87%, and unemployment rate of 2.9% 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.

Statements of Net Position

As of June 30

<i>Assets</i>	2019	2018 (Restated)
<i>Current Assets</i>		
Cash and cash equivalents (Note 3)	\$ 245,509,832	\$ 215,266,335
Investment securities - other (Note 3)	24,571,750	102,347,427
Investments - program mortgage-backed securities (Note 3)	95,538,735	68,601,081
Mortgage loans receivable, net (Note 4)	41,510,707	47,559,249
Interest receivable	5,536,838	4,752,674
Other receivables	639,483	1,253,674
Other assets	3,288,203	2,603,223
Hedging derivatives (Note 9)	448,451	3,448,286
<i>Total Current Assets</i>	417,043,999	445,831,949
<i>Noncurrent Assets</i>		
Investment securities - other (Note 3)	294,531,220	267,347,482
Investments - program mortgage-backed securities (Note 3)	717,556,881	515,237,907
Mortgage loans receivable, net (Note 4)	357,600,430	398,511,793
Line of credit receivable (Note 5)	50,926,403	42,910,616
Other receivables	978,884	631,090
Furniture and equipment, at cost, less accumulated depreciation	789,111	770,380
Building, at cost, less accumulated depreciation	3,656,080	3,783,796
Land improvement, at cost, less accumulated depreciation	466,681	503,707
Land	220,409	220,410
<i>Total Noncurrent Assets</i>	1,426,726,099	1,229,917,181
<i>Total Assets</i>	1,843,770,098	1,675,749,130
<i>Deferred Outflows of Resources</i>		
Loss on refundings	3,122,558	3,390,882
Forward contracts (Note 9)	160,754	112,167
Swaps (Note 9)	2,010,910	64,017
Related to pensions (Note 14)	1,319,641	1,615,841
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 1,850,383,961	\$ 1,680,932,037
<i>Liabilities</i>		
<i>Current Liabilities</i>		
Bonds payable (Note 6)	\$ 46,678,078	\$ 39,937,999
Accrued interest payable	6,589,133	4,976,522
Accounts payable and other liabilities (Note 18)	2,166,581	1,372,836
Multifamily escrows and reserves	5,426,576	5,451,552
<i>Total Current Liabilities</i>	60,860,368	51,738,909
<i>Noncurrent Liabilities</i>		
Bonds payable (Note 6)	1,237,360,586	1,132,481,499
Accounts payable and other liabilities (Note 18)	950,000	950,000
Hedging derivatives (Note 9)	2,171,664	181,419
<i>Total Noncurrent Liabilities</i>	1,240,482,250	1,133,612,918
<i>Total Liabilities</i>	1,301,342,618	1,185,351,827
<i>Deferred Inflows of Resources</i>		
Forward contracts (Note 9)	6,047	-
Gain on refundings	1,372,072	1,473,125
Swaps (Note 9)	442,404	3,443,051
Related to pensions (Note 14)	293,010	357,265
<i>Total Liabilities and Deferred Inflows of Resources</i>	1,303,456,151	1,190,625,268
<i>Net Position</i>		
Net investment in capital assets	(1,052,719)	(906,707)
Restricted for pension benefits	1,030,229	1,273,487
Restricted by state statute	15,259,273	10,415,020
Restricted by bond indentures	453,168,365	401,760,495
Restricted by HOME and NSP Program	78,522,662	77,764,474
<i>Total Net Position</i>	546,927,810	490,306,769
<i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	\$ 1,850,383,961	\$ 1,680,932,037

***Statements of Revenues, Expenses, and
Changes in Net Position***

For the Years Ended June 30

<i>Operating Revenues</i>	2019	2018 (Restated)
Interest income on mortgage loans	\$ 16,782,538	\$ 19,988,029
Earnings on investments and program mortgage-backed securities	33,712,492	20,080,059
Net increase (decrease) in the fair market value of investments and program mortgage-backed securities	49,119,548	(23,995,018)
HUD contributions	28,131,640	31,430,639
Fee, grant and other income	7,331,451	5,928,262
<i>Total Operating Revenues</i>	135,077,669	53,431,971
<i>Operating Expenses</i>		
Interest	34,395,688	28,700,808
Housing assistance payments	22,927,771	23,541,235
Servicer fees	1,176,333	1,091,863
Arbitrage rebate (benefit)	(425)	(8,486)
General and administrative	7,281,583	6,127,677
Bond financing costs	2,706,494	3,948,815
Other housing programs	9,331,258	6,634,270
Provision for loan loss	637,926	1,319,655
<i>Total Operating Expenses</i>	78,456,628	71,355,837
Change in net position	56,621,041	(17,923,866)
Net position, beginning of fiscal year	490,306,769	508,230,635
<i>Net Position, End of Fiscal Year</i>	\$ 546,927,810	\$ 490,306,769

Statements of Cash Flows**For the Years Ended June 30**

	2019	2018 (Restated)
Cash Flows Used in Operating Activities		
Receipts from loan payments and program mortgage-backed securities	\$ 296,719,753	\$ 301,413,117
Receipts for program fees	7,601,446	7,488,752
Receipts from federal housing programs	28,131,640	31,430,639
Payments for loan programs and program mortgage-backed securities	(413,350,709)	(354,475,111)
Payments for operating expenses	(3,700,911)	(5,619,296)
Payments to employees	(4,363,155)	(3,274,515)
Payments for federal housing programs	(22,927,771)	(23,541,235)
Payments for other housing programs	(9,015,245)	(7,784,929)
Net Cash Used in Operating Activities	(120,904,952)	(54,362,578)
Cash Flows Provided by Noncapital Financing Activities		
Proceeds from sale of bonds	202,645,027	298,181,712
Principal paid on bonds	(87,926,354)	(209,708,375)
Interest paid on bonds and swaps	(35,539,306)	(32,961,046)
Bond issuance costs paid	(2,706,494)	(3,948,815)
Net Cash Provided by Noncapital Financing Activities	76,472,873	51,563,476
Cash Flows Used in Capital and Related Financing Activities		
Purchase of capital fixed assets	(236,380)	(121,596)
Principal paid on bonds	(75,000)	(70,000)
Interest paid on capital debt	(101,008)	(74,549)
Net Cash Used in Capital and Related Financing Activities	(412,388)	(266,145)
Cash Flows Provided by (Used in) Investing Activities		
Purchase of investment securities	(299,294,425)	(415,224,261)
Proceeds from sale and maturities of investment securities	361,460,994	383,318,002
Interest received on investments	12,921,395	9,150,713
Net Cash Provided by (Used in) Investing Activities	75,087,964	(22,755,546)
Change in Cash and Cash Equivalents	30,243,497	(25,820,793)
Cash and Cash Equivalents, Beginning of Year	215,266,335	241,087,128
Cash and Cash Equivalents, End of Year	\$ 245,509,832	\$ 215,266,335
Reconciliation of Operating Income (Loss) to Cash Flows		
Used in Operating Activities		
Operating income (loss)	\$ 56,621,041	\$ (17,923,866)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Interest on bonds payable	34,395,688	28,700,808
Net (increase) decrease in fair market value of investments	(49,119,548)	23,995,018
Interest from investments	(13,192,577)	(7,346,285)
Bond financing costs	2,706,494	3,948,815
Provision for loan loss	637,926	1,319,655
Depreciation	382,391	443,439
Changes in assets and liabilities		
Loan interest receivable	(539,844)	259,338
Accounts payable and other liabilities	793,745	(764,587)
Mortgage loans receivable	46,321,979	78,148,200
Investments - program mortgage-backed securities	(191,699,757)	(155,641,501)
Line of credit receivable	(8,015,787)	(8,549,834)
Other receivables	269,995	1,560,490
Other assets	(684,980)	(139,301)
Decrease/(increase) related to pensions	243,258	(520,581)
Multifamily escrows and reserves	(24,976)	(1,852,386)
Net Cash Used in Operating Activities	\$ (120,904,952)	\$ (54,362,578)

Notes to Financial Statements

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 \$316,745,000 for 2019. 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.

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). The bonds issued under this Resolution are conduit bonds (see Note 7).

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. There are no Multifamily Risk Sharing Bonds outstanding at June 30, 2019 and 2018.

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, as 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. The financial statements of the Authority include the activity of Homeownership Education Resource Organization (H.E.R.O.), a non-profit organization devoted to monitoring homeownership education in South Dakota, as a blended component unit.

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.

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.

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, conversion to grant criteria, 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.

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 to interest expense using the bonds outstanding method over the life of the bonds to which they relate.

Bond Issuance Costs:

Issuance costs on bonds are expensed as incurred.

Derivative Instruments:

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

Real Estate Owned:

Real estate owned and held for sale arises from foreclosures or other mortgage default related actions on properties pledged as collateral on mortgage loans. Real estate held for sale in connection with the Single Family and Multifamily Program is recorded at the unpaid principal balance on the loans, net of any allowance, 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, net of any allowance, through proceeds arising from the sale of such property and certain insurance proceeds. Recoveries for Multi-Family arise from the sale of such property. Real estate owned is included with mortgage loans receivable.

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 liability (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 receivables/(liabilities) in the amount of \$3,926 and (\$13,696) at June 30, 2019 and 2018, respectively, for arbitrage.

Escrows and Reserves:

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

Revenue and Expense Recognition:

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

Pass-Through Grants:

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

Use of Estimates:

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

Net Position:

Net Position is classified in the following three components:

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

Early Implementation of GASB Statement No. 91:

During fiscal year 2019, the Authority early implemented GASB Statement No. 91, *Conduit Debt Obligations*. The early implementation of this standard eliminates the option for issuers of conduit debt to recognize a liability for this debt on their financial statements. The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events by state and local government issuers. This Statement also is intended to improve the relevance, reliability, and understandability of information about conduit debt obligations, as well as related transactions and other events. The effect of the early implementation of this Statement on beginning net position is disclosed in Note 19, and the additional disclosures required by this Statement are included in Note 7.

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, 2019 and 2018, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2019 and 2018, of the Authority's deposits of \$10,859,440 (carrying value of \$10,561,162) and \$12,673,662 (carrying value of \$11,664,657), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

The \$525,531 and \$7,171 of the Authority's cash and cash equivalents being held in the State's internal investment pool as of June 30, 2019 and 2018, 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, 2019 and 2018, 73% and 62%, respectively, of the Authority's securities were invested in mortgage pass-through securities.

As of June 30, 2019 and 2018, the Authority had investments maturing as follows:

	2019 Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government obligations	\$ 101,252,385	\$ 15,980,674	\$ 64,383,901	\$ 20,719,933	\$ 167,877
U.S. Agency obligations	1,021,149,238	6,023,799	49,301,757	31,136,000	934,687,682
Money market/mutual funds	234,423,140	234,423,140	-	-	-
Certificates of deposit	7,033,538	1,985,010	5,048,528	-	-
State obligations	2,763,424	582,268	1,753,717	427,439	-
Total	\$ 1,366,621,725	\$ 258,994,891	\$ 120,487,903	\$ 52,283,372	\$ 934,855,559

	2018 Investment Maturities (Restated) (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. Government obligations	\$ 118,554,247	\$ 17,746,471	\$ 82,988,662	\$ 17,661,174	\$ 157,940
U.S. Agency obligations	860,157,869	115,903,011	48,423,253	44,991,775	650,839,830
Money market/mutual funds	168,394,506	168,394,506	-	-	-
Certificates of deposit	7,437,259	3,485,563	3,951,696	-	-
State obligations	2,584,523	-	1,691,245	893,278	-
Total	\$ 1,157,128,404	\$ 305,529,551	\$ 137,054,856	\$ 63,546,227	\$ 650,997,770

At June 30, 2019 and 2018, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2019		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 34,321,792	\$ -	\$ 3,050,643
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	4,047,455	-	-
Debt service reserve	-	3,028,950	-
Total	\$ 38,369,247	\$ 3,028,950	\$ 3,050,643

	2018		
	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds
Capital reserve for debt service	\$ 30,579,783	\$ -	\$ 3,056,290
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	6,207,863	-	-
Debt service reserve	-	3,429,300	-
Total	\$ 36,787,646	\$ 3,429,300	\$ 3,056,290

Credit Risk and Concentration of 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, mortgage backed securities guaranteed by 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. The Authority will minimize concentration of credit risk by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. 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:

Type/Provider	Moody's Credit Rating	2019		2018 (Restated)	
		Amount	% of Total	Amount	% of Total
Money market funds	NR	\$ 234,423,140	17.2%	\$ 168,394,506	14.6%
Certificates of deposit	NR	7,033,538	0.5%	7,437,259	0.6%
US government agency securities	Aaa	31,846,144	2.3%	154,398,220	13.3%
US treasury securities	Aaa	101,252,385	7.4%	118,554,247	10.2%
State and municipal securities	A2 to Aaa	2,763,424	0.2%	2,584,523	0.2%
Mortgage-backed securities:					
GNMA	NR	589,310,331	43.1%	411,967,142	35.6%
FNMA	NR	383,367,110	28.1%	278,477,694	24.1%
FHLMC	NR	16,625,653	1.2%	15,314,813	1.3%
		<u>\$ 1,366,621,725</u>	<u>100.0%</u>	<u>\$ 1,157,128,404</u>	<u>100.0%</u>

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	2019	2018
Homeownership Mortgage Loans	\$ 213,279,010	\$ 243,957,390
Single Family Mortgage Loans	88,151,162	102,872,984
Multiple Purpose Loans	14,423,822	16,103,850
Other (General Operating Account)	83,257,143	83,136,818
Total	<u>\$ 399,111,137</u>	<u>\$ 446,071,042</u>

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 \$1,449,702 and \$1,225,045 as of June 30, 2019 and 2018, 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 \$16,499,724 and \$17,778,465 as of June 30, 2019 and 2018, 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, 2019 and 2018, is \$1,153,265 and \$297,506, respectively.

Note 5 - Line of Credit Receivable:

On November 1, 2014, the Authority entered into a line of credit with its master servicer. The master servicer uses 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 equal to that of the qualified mortgage loans purchased with funds advanced to the 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, 2019. The Authority is in the process of extending the line. As of June 30, 2019 and 2018, the balance of this line of credit receivable was \$50,926,403 and \$42,910,616, respectively.

Note 6 - Bonds Payable:

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

Bond Issue	Maturity Date	Interest Rate	2019			2018
			Serial	Term (1)	Total Outstanding	Total Outstanding
2012 Series A	2031	4.50%	\$ -	\$ 4,500	\$ 4,500	\$ 5,270
2012 Series B	2019-2026	2.05%-3.25%	8,450	5,925	14,375	16,285
2012 Series D	2019-2029	2.375%-4.0%	7,180	5,480	12,660	15,990
2012 Series E	2025	2.80%	-	9,355	9,355	9,355
2012 Series F	2029-2033	3.38%	-	9,995	9,995	9,995
2013 Series A	2019-2030	2.10%-3.0%	180	3,360	3,540	5,195
2013 Series B	2019-2025	1.65%-3.0%	7,920	-	7,920	7,940
2013 Series C	2030-2033	3.55%	-	5,105	5,105	5,105
2013 Series D	2043	3.25%-4.0%	-	29,075	29,075	34,831
2013 Series E	2019-2044	2.4%-4.0%	725	5,135	5,860	7,785
2013 Series F	2020-2044	2.45%-4.4%	7,845	5,905	13,750	14,785
2014 Series A	2019-2044	2.20%-4.0%	750	7,545	8,295	10,520
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	6,105	9,555	10,205
2014 Series D	2019-2028	1.55%-3.15%	20,995	8,720	29,715	33,805
2014 Series E	2044	4.00%	-	10,420	10,420	11,740
2014 Series F	2019-2034	2.262%-4.0%	11,425	8,670	20,095	23,220
2015 Series A	2024-2025	2.5%-2.75%	4,540	-	4,540	4,550
2015 Series B	2019-2024	2.04%-3.272%	17,800	-	17,800	22,620
2015 Series C	2045	2.42% (2)	-	30,000	30,000	30,000
2015 Series D	2019-2045	1.45%-4.0%	11,835	18,040	29,875	36,695
2016 Series A	2019-2036	1.90%-3.8%	16,605	10,350	26,955	29,835
2016 Series B	2019-2046	1.10%-3.5%	11,815	33,455	45,270	48,740
2016 Series C	2019-2025	1.25%-2.45%	29,400	-	29,400	34,305
2016 Series D	2025-2046	2.45%-3.5%	21,425	44,205	65,630	68,775
2017 Series A	2019-2037	1.80%-3.89%	10,060	7,675	17,735	19,150
2017 Series B	2022-2047	1.75%-4.0%	25,800	79,965	105,765	107,955
2017 Series C	2019-2039	1.45%-4.0%	13,040	8,955	21,995	25,610
2017 Series D	2019-2047	1.3%-4.0%	29,465	89,695	119,160	123,405
2017 Series E	2019-2039	1.7%-4.0%	20,445	17,425	37,870	41,970
2017 Series F	2027-2047	2.6%-3.65%	12,385	8,135	20,520	21,940
2018 Series A	2019-2048	1.87%-4.0%	23,615	72,965	96,580	99,000
2018 Series B	2019-2048	2.0%-4.5%	26,505	72,495	99,000	-
2019 Series A	2019-2049	1.5%-4.0%	29,465	69,535	99,000	-
Total					1,069,060	944,326
2015 Series E	2027-2037	3.12% (2)	-	25,000	25,000	25,000
2016 Series E	2029-2037	3.17% (2)	-	50,000	50,000	50,000
Total Direct Placements					75,000	75,000
Plus unamortized premium					22,100	20,328
Total Homeownership Mortgage Program Bonds					\$ 1,166,160	\$ 1,039,654

(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.

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):

Bond Issue	Maturity Date	Interest Rate	2019			2018
			Serial	Term (1)	Total Outstanding	Total Outstanding
2010-1/2009-1A	2028	3.43%	\$ -	\$ 7,045	\$ 7,045	\$ 7,935
2010-2	2019-2027	3.05%-4.5%	225	290	515	1,555
2011-1/20091-C	2019-2028	3.25%-5.0%	4,110	1,175	5,285	7,130
2011-2	2019-2032	3.0%-4.25%	10,720	2,080	12,800	16,010
2016-1	2019-2041	1.59%-3.77%	8,335	29,245	37,580	41,680
Total					63,225	74,310
2009 1-B/1-D	2041	2.47%-3.33%	\$ -	\$ 37,740	37,740	40,000
Total Direct Placements					37,740	40,000
Plus unamortized premium					739	891
Total Single Family Mortgage Bonds					<u>\$ 101,704</u>	<u>\$ 115,201</u>

(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):

Bond Issue	Maturity Date	Interest Rate	2019			2018
			Serial	Term (1)	Total Outstanding	Total Outstanding
2008 Series A	2048	2.06%(2)	\$ -	\$ 6,470	\$ 6,470	\$ 6,580
2009 Series A	2048	2.02%(2)	-	6,110	6,110	6,185
2013 Series A	2019-2028	2.10%-3.65%	3,095	500	3,595	4,800
Total Multiple Purpose Bonds					<u>\$ 16,175</u>	<u>\$ 17,565</u>

(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.

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2019 and 2018:

	Balance			Balance June 30, 2019	Amounts Due Within One Year
	July 1, 2018	Additions	Deductions		
Homeownership Mortgage Program Bonds	\$ 944,326,094	\$ 198,000,000	\$ 73,266,354	\$ 1,069,059,740	\$ 39,528,078
Homeownership Direct Placement Bonds	75,000,000	-	-	75,000,000	-
Single Family Mortgage Bonds	74,310,000	-	11,085,000	63,225,000	1,090,000
Single Family Direct Placement Bonds	40,000,000	-	2,260,000	37,740,000	4,640,000
Multiple Purpose Bonds	17,565,000	-	1,390,000	16,175,000	1,420,000
Unamortized Premium/Discount	21,218,404	4,645,027	3,024,507	22,838,924	-
	<u>\$ 1,172,419,498</u>	<u>\$ 202,645,027</u>	<u>\$ 91,025,861</u>	<u>\$ 1,284,038,664</u>	<u>\$ 46,678,078</u>

	Balance			Balance June 30, 2018 (Restated)	Amounts Due Within One Year
	July 1, 2017 (Restated)	Additions	Deductions		
Homeownership Mortgage Program Bonds	\$ 832,959,469	\$ 291,180,000	\$ 179,813,375	\$ 944,326,094	\$ 32,797,999
Homeownership Direct Placement Bonds	75,000,000	-	-	75,000,000	-
Single Family Mortgage Bonds	100,295,000	-	25,985,000	74,310,000	3,490,000
Single Family Direct Placement Bonds	40,000,000	-	-	40,000,000	2,260,000
Multiple Purpose Bonds	19,095,000	-	1,530,000	17,565,000	1,390,000
Multifamily Risk Sharing Bonds	2,450,000	-	2,450,000	-	-
Unamortized Premium/Discount	17,760,242	7,001,723	3,543,561	21,218,404	-
	<u>\$ 1,087,559,711</u>	<u>\$ 298,181,723</u>	<u>\$ 213,321,936</u>	<u>\$ 1,172,419,498</u>	<u>\$ 39,937,999</u>

The assets and revenues of the above indentures are pledged as collateral for the payment of principal and interest on their respective bonds. The bond indentures contain provisions governing events of default and remedies to bondholders with respect to amounts due following events of default.

Required principal and interest payments are as follows:

Year Ended June 30	Homeownership Mortgage Program Bonds		Homeownership Direct Placement Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 39,528,078	\$ 34,102,767	\$ -	\$ 2,322,500
2021	45,320,000	33,338,413	-	2,322,500
2022	46,220,000	32,205,911	-	2,322,500
2023	44,945,000	31,208,268	-	2,322,500
2024	45,995,000	30,110,735	-	2,322,500
2025-2029	198,085,000	132,548,378	3,720,000	11,547,723
2030-3034	155,880,000	105,977,703	43,245,000	8,084,477
2035-2039	142,090,000	80,944,451	28,035,000	1,536,582
2040-2044	189,131,662	52,278,506	-	-
2045-2049	161,865,000	13,215,228	-	-
Total	\$ 1,069,059,740	\$ 545,930,360	\$ 75,000,000	\$ 32,781,282

Year Ended June 30	Single Family Mortgage Bonds		Single Family Direct Placement Bonds		Multiple Purpose Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,090,000	\$ 2,195,384	\$ 4,640,000	\$ 1,008,668	\$ 1,420,000	\$ 438,906
2021	5,440,000	2,074,895	-	956,212	1,450,000	404,056
2022	4,865,000	1,890,337	-	951,845	850,000	366,367
2023	4,020,000	1,752,926	-	953,041	225,000	351,584
2024	3,010,000	1,624,037	-	954,496	240,000	344,908
2025-2029	13,600,000	6,901,833	1,340,000	4,748,507	1,875,000	1,603,623
2030-3034	12,890,000	4,278,950	8,250,000	4,139,861	1,765,000	1,299,691
2035-2039	11,555,000	2,303,216	15,120,000	2,392,805	2,280,000	1,018,020
2040-2044	6,755,000	347,398	8,390,000	358,759	2,920,000	659,123
2045-2049	-	-	-	-	3,150,000	207,050
Total	\$ 63,225,000	\$ 23,368,976	\$ 37,740,000	\$ 16,464,194	\$ 16,175,000	\$ 6,693,328

Note 7 - Conduit Debt Obligations:

The Authority has issued certain conduit bonds under the Multifamily Housing Revenue Bonds Resolution adopted April 15, 1991, the proceeds of which were made available to developers for the construction or rehabilitation of multifamily housing. The bonds and the interest thereon are a limited obligation of the issuer, payable solely from the trust estate pledged therefor under this indenture. The faith and credit of the Authority is not pledged for the payment of the principal and interest on the bonds. Accordingly, these obligations are excluded from the Authority's financial statements.

As of June 30, 2019 and 2018, the aggregate principal amount of conduit debt outstanding totaled \$31,454,500 and \$21,800,000, respectively.

Note 8 - Refunding of Debt:

In December 2017, the Authority issued \$54,680,000 of fixed rate Homeownership Mortgage Bonds, 2017 Series E and 2017 Series F (the Refunding Bonds). The Refunding Bonds, totaling \$54,680,000 along with premium generated from the bond sale, were used to refund \$56,000,000 of Homeownership Mortgage Bonds, 2008 Series F and 2009 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 \$21.8 million. Assuming a mortgage prepayment speed of 100% FHA, the difference between the present value of the cash flow required for debt service of the Refunding Bonds and the Refunded Bonds, net of cost of issuance, will result in an economic gain of approximately \$7.6 million.

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During the year ended June 30, 2018, the Authority issued Homeownership Mortgage Bonds Series 2018A in the aggregate principal amount of \$99 million, of which \$9.8 million of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds. During the year ended June 30, 2019, the Authority issued Homeownership Mortgage Bonds Series 2018B and 2019A in the aggregate principal amount of \$99 million and \$99 million, respectively, of which \$8.7 million and \$12.7 million, respectively, of bond proceeds were used to refund previously issued bonds for the sole purpose of recycling the volume cap utilized for the issuance of the refunded bonds.

Note 9 - Hedging Derivatives:

Interest Rate Swaps:

Swap Objectives:

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

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2019 and 2018, 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, 2019	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2019	Fair Value June 30, 2018	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2018
JPMorgan Chase Bank, N.A.									
2008 F	-	9/4/2008 5/1/2039	3.85%	63.7% of LIBOR plus 0.31%	Aa2	\$ -	\$ -	\$ -	\$ 1,322,222
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	(513,778)	(1,416,218)	902,440	948,875
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	110,684	(156,704)	267,388	(23,806)
2016 E-1	50,000,000	11/1/2016 5/1/2037	2.21%	66.4% of LIBOR plus 0.23%	Aa1	(1,497,132)	(3,056,446)	1,559,314	1,173,759
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	331,720	(382,189)	713,909	60,870
Bank of America, N.A.									
2009 C	-	11/18/2009 5/1/2039	3.14%	64% of LIBOR plus 0.22%	A1	-	-	-	894,201
Merrill Lynch Derivative Products, AG									
MPB 2008 A	6,580,000	8/2/2008 5/1/2048	3.55%	63.8% of LIBOR plus 0.20%	Aa3	-	64,017	(64,017)	169,896
						<u>\$ (1,568,506)</u>		<u>\$ 3,379,034</u>	

*Moody's Investor Service

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Fair Value:

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations, along with considerations for non-performance risk, determine the current fair value of the Authority's swap contracts. The fair values in the table above represent the termination payments that would have been due had the swaps been terminated as of June 30, 2019 and 2018. 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, 2019 and 2018, 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, 2019 and 2018, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.20% and 1.16% per annum, respectively, while the weighted average interest rate on the swaps was 1.30% and 1.26% 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.

Swap Payments and Associated Debt: Variable-rate bond interest payments and net swap payments will vary during their term. Future debt service requirements of the variable-rate debt and net swap payments as of June 30, 2019, are as follows:

Year Ended June 30	Variable Rate Bond		Interest Rate	Total
	Principal	Interest	Swap - Net	
2020	\$ -	\$ 2,322,500	\$ (692,250)	\$ 1,630,250
2021	-	2,322,500	(692,250)	1,630,250
2022	-	2,322,500	(692,250)	1,630,250
2023	-	2,322,500	(692,250)	1,630,250
2024	-	2,322,500	(692,250)	1,630,250
2025-2029	3,720,000	11,547,723	(3,440,889)	11,826,834
2030-2034	43,245,000	8,084,477	(2,403,716)	48,925,761
2035-2039	28,035,000	1,536,583	(458,257)	29,113,326
2040-2044	-	-	-	-
2045-2048	-	-	-	-
	<u>\$ 75,000,000</u>	<u>\$ 32,781,283</u>	<u>\$ (9,764,112)</u>	<u>\$ 98,017,171</u>

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, 2019 and 2018.

Mortgage-Backed Security (MBS) Forward Contracts

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

Outstanding forward sales contracts as of June 30, 2019, are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2019	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2019	Moody's Credit Rating
Bank of America Merrill Lynch						
FNMA	\$ 1,000,000	5/10/2019	8/13/2019	4.00%	\$ (7,344)	A2
GNMA II	1,000,000	5/20/2019	8/21/2019	3.50%	(13,594)	A2
Bank of New York Mellon						
FNMA	1,000,000	6/19/2019	9/12/2019	4.00%	(1,875)	A1
GNMA II	1,000,000	6/19/2019	9/19/2019	3.50%	(4,531)	A1
FNMA	1,000,000	6/26/2019	9/12/2019	3.50%	(1,406)	A1
FNMA	(1,000,000)	6/26/2019	9/12/2019	4.00%	1,172	A1
GNMA II	1,000,000	6/26/2019	9/19/2019	3.50%	(2,344)	A1
Bank of Oklahoma						
GNMA II	1,800,000	5/15/2019	7/22/2019	3.50%	(19,969)	A3
FNMA	1,400,000	5/23/2019	7/15/2019	4.00%	(6,945)	A3
GNMA II	2,000,000	6/5/2019	8/21/2019	3.50%	(8,203)	A3
FNMA	1,000,000	6/24/2019	9/12/2019	3.50%	(234)	A3
GNMA II	(3,900,000)	6/26/2019	7/22/2019	3.50%	4,875	A3
ED&F Man Capital Markets						
GNMAII	1,000,000	5/10/2019	7/22/2019	3.50%	(13,672)	Not rated
GNMAII	1,200,000	5/17/2019	7/22/2019	3.50%	(14,766)	Not rated
GNMAII	1,000,000	5/28/2019	8/21/2019	3.50%	(9,805)	Not rated
GNMAII	700,000	6/13/2019	8/21/2019	3.50%	(2,707)	Not rated
Daiwa Capital Markets						
FNMA	1,000,000	5/31/2019	7/15/2019	4.00%	(2,656)	Not rated
GNMA II	1,200,000	5/31/2019	8/21/2019	3.50%	(7,313)	Not rated
FNMA	700,000	6/13/2019	9/12/2019	4.00%	(766)	Not rated
Jefferies						
FNMA	1,200,000	5/15/2019	8/13/2019	4.00%	(6,563)	Baa3
FNMA	600,000	6/6/2019	8/13/2019	4.00%	(938)	Baa3
GNMAII	2,000,000	6/10/2019	8/21/2019	3.50%	(9,375)	Baa3
GNMAII	2,200,000	6/14/2019	8/21/2019	3.50%	(8,938)	Baa3
FNMA	1,600,000	6/14/2019	9/12/2019	4.00%	(3,000)	Baa3
GNMAII	2,000,000	6/24/2019	9/19/2019	3.50%	(5,000)	Baa3
Piper Jaffray						
FNMA	1,200,000	5/21/2019	8/13/2019	4.00%	(8,810)	Not rated
	<u>\$ 24,900,000</u>				<u>\$ (154,707)</u>	

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Outstanding forward sales contracts as of June 30, 2018, are as follows:

Forward Contracts to sell TBA Mortgage-Backed Securities	Notional Amount June 30, 2018	Trade Date	Delivery Date	Coupon Rate	Fair Values June 30, 2018	Moody's Credit Rating
Bank of America Merrill Lynch						
FNMA	\$ 1,000,000	5/8/2018	7/12/2018	5.00%	\$ (2,969)	Aaa
GNMA II	1,000,000	5/14/2018	7/19/2018	4.50%	(4,844)	Not rated
FNMA	1,000,000	6/25/2018	7/12/2018	4.50%	(1,563)	Aaa
FNMA	(1,000,000)	6/25/2018	7/12/2018	5.00%	1,876	Aaa
Bank of New York Mellon						
GNMA II	500,000	4/20/2018	7/19/2018	4.50%	(2,109)	Not rated
FNMA	1,000,000	5/15/2018	8/13/2018	4.00%	(8,555)	Aaa
FNMA	600,000	6/12/2018	9/13/2018	4.50%	(2,391)	Aaa
GNMA II	700,000	6/14/2018	8/21/2018	4.00%	(1,832)	Not rated
GNMA II	700,000	6/14/2018	8/21/2018	4.50%	(1,394)	Not rated
Bank of Oklahoma						
FNMA	500,000	4/12/2018	7/12/2018	5.00%	1,133	Aaa
GNMA II	600,000	5/10/2018	7/19/2018	4.00%	(3,188)	Not rated
FNMA	1,000,000	5/15/2018	8/13/2018	5.00%	(5,938)	Aaa
GNMA II	500,000	5/16/2018	7/19/2018	4.50%	(4,297)	Not rated
GNMA II	1,000,000	5/18/2018	8/21/2018	4.50%	(7,656)	Not rated
FNMA	500,000	5/29/2018	8/13/2018	4.50%	117	Aaa
GNMA II	500,000	5/29/2018	8/21/2018	4.50%	(625)	Not rated
GNMA II	1,000,000	6/4/2018	8/21/2018	4.50%	(313)	Not rated
GNMA II	600,000	6/18/2018	8/21/2018	4.50%	(914)	Not rated
GNMA II	600,000	6/26/2018	9/20/2018	4.00%	(1,125)	Not rated
GNMA II	600,000	6/26/2018	9/20/2018	4.50%	(703)	Not rated
FNMA	500,000	6/28/2018	9/13/2018	5.00%	(156)	Aaa
GNMA II	1,800,000	6/28/2018	9/20/2018	4.50%	(491)	Not rated
ED&F Man Capital Markets						
GNMAII	700,000	5/1/2018	7/19/2018	4.50%	(3,773)	Not rated
FNMA	500,000	5/10/2018	7/12/2018	4.00%	(2,656)	Aaa
GNMAII	600,000	5/10/2018	7/19/2018	4.50%	(3,281)	Not rated
GNMAII	1,200,000	5/24/2018	8/21/2018	4.50%	(3,938)	Not rated
FNMA	123,100	6/8/2018	7/12/2018	4.00%	(500)	Aaa
GNMAII	713,464	6/15/2018	7/19/2018	4.50%	(557)	Not rated
GNMAII	1,000,000	6/19/2018	9/20/2018	4.50%	77	Not rated
FNMA	500,000	6/27/2018	9/13/2018	4.00%	78	Aaa
FNMA	500,000	6/27/2018	9/13/2018	4.50%	(39)	Aaa
Daiwa Capital Markets						
FNMA	500,000	4/17/2018	7/12/2018	4.00%	234	Aaa
FNMA	1,000,000	4/25/2018	7/12/2018	5.00%	(4,531)	Aaa
FNMA	1,000,000	5/21/2018	8/13/2018	5.00%	(5,469)	Aaa
FNMA	500,000	5/30/2018	8/13/2018	5.00%	(469)	Aaa
GNMAII	800,000	6/4/2018	8/21/2018	4.00%	(500)	Not rated
FNMA	600,000	6/18/2018	9/13/2018	4.00%	(1,875)	Aaa
FNMA	1,000,000	6/25/2018	7/12/2018	4.50%	(1,563)	Aaa
FNMA	(1,000,000)	6/25/2018	7/12/2018	5.00%	1,720	Aaa
Jefferies						
GNMAII	500,000	4/20/2018	7/19/2018	4.00%	(1,875)	Not rated
GNMAII	1,000,000	5/4/2018	7/19/2018	4.50%	(4,688)	Not rated
GNMAII	800,000	5/18/2018	8/21/2018	4.00%	(7,000)	Not rated
GNMAII	600,000	5/24/2018	8/21/2018	4.00%	(2,531)	Not rated
GNMAII	1,000,000	6/1/2018	8/21/2018	4.50%	(1,250)	Not rated
FNMA	600,000	6/7/2018	8/13/2018	4.00%	(2,625)	Aaa
GNMAII	1,000,000	6/8/2018	8/21/2018	4.50%	(2,188)	Not rated
FNMA	600,000	6/22/2018	9/13/2018	5.00%	(1,406)	Aaa
Piper Jaffray						
FNMA	1,000,000	4/25/2018	7/12/2018	4.00%	(9,219)	Aaa
GNMAII	600,000	5/2/2018	7/19/2018	4.00%	(3,563)	Not rated
FNMA	600,000	5/3/2018	7/12/2018	5.00%	(843)	Aaa
					<u>\$ 33,736,564</u>	
					<u>\$ (112,167)</u>	

(continued on next page)

Note 10 - Fair Value:

The Authority had the following recurring fair value measurements as of June 30, 2019:

	Fair Value Measurements Using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level			
US Treasuries	\$ -	\$ 101,466,755	\$ -
US Government Agencies	-	1,020,934,868	-
Money Market Mutual Funds	234,423,140	-	-
Certificates of Deposit	-	7,033,538	-
State Obligations	-	2,763,424	-
Total investments by fair value level	<u>\$ 234,423,140</u>	<u>\$ 1,132,198,585</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest Rate Swaps	\$ -	\$ 442,404	\$ -
Forward MBS Contracts	-	6,047	-
	<u>\$ -</u>	<u>\$ 448,451</u>	<u>\$ -</u>
Liabilities			
Interest Rate Swaps	\$ -	\$ (2,010,910)	\$ -
Forward MBS Contracts	-	(160,754)	-
	<u>\$ -</u>	<u>\$ (2,171,664)</u>	<u>\$ -</u>

The Authority had the following recurring fair value measurements as of June 30, 2018:

	Fair Value Measurements Using:		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level			
US Treasuries	\$ -	\$ 118,776,038	\$ -
US Government Agencies	-	860,220,115	-
Money Market Mutual Funds	169,673,373	-	-
Certificates of Deposit	-	7,437,259	-
State Obligations	-	2,584,523	-
Total investments by fair value level	<u>\$ 169,673,373</u>	<u>\$ 989,017,935</u>	<u>\$ -</u>
Hedging derivative instruments			
Assets			
Interest Rate Swaps	\$ -	\$ 3,443,051	\$ -
Forward MBS Contracts	-	5,235	-
	<u>\$ -</u>	<u>\$ 3,448,286</u>	<u>\$ -</u>
Liabilities			
Interest Rate Swaps	\$ -	\$ (64,017)	\$ -
Forward MBS Contracts	-	(117,402)	-
	<u>\$ -</u>	<u>\$ (181,419)</u>	<u>\$ -</u>

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.

The Authority obtains its fair value pricing on interest rate swaps and forward MBS contracts from a third-party vendor. See Note 9 for further description of the fair value methodology for derivative instruments.

Note 11 - 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:

	<u>2019</u>	<u>2018</u>
Bond and notes reserve	\$ 3,152,999	\$ 2,878,003
Program operations reserve	5,210,014	2,758,097
Total	<u>\$ 8,363,013</u>	<u>\$ 5,636,100</u>

Note 12 - Commitments:

As of June 30, 2019, the Authority had the following Homeownership Mortgage Program commitments:

- Commitments to fund the Homeownership Mortgage Program aggregating \$88,813,582.

Note 13 - 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 years ended June 30, 2019 and 2018, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds, and the Multiple Purpose Bonds follows:

	2019			2018		
	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)	\$ 7,326,502	\$ (4,572,111)	\$ (581,702)	\$ 12,586,617	\$ (3,305,424)	\$ (843,794)
Current assets	353,185,525	29,036,955	12,334,605	384,876,139	27,322,767	11,936,575
Noncurrent assets	1,189,982,233	83,005,250	70,852,993	980,092,957	95,723,208	70,586,943
Total Assets	1,550,494,260	107,470,094	82,605,896	1,377,555,713	119,740,551	81,679,724
Deferred Outflows of Resources	5,208,696	-	85,526	3,326,904	-	240,162
Total Assets and Deferred Outflows of Resources	\$ 1,555,702,956	\$ 107,470,094	\$ 82,691,422	\$ 1,380,882,617	\$ 119,740,551	\$ 81,919,886
Liabilities						
Current liabilities	\$ 45,560,775	\$ 6,291,714	\$ 1,495,760	\$ 37,149,534	\$ 6,384,044	\$ 1,477,932
Noncurrent liabilities	1,128,803,698	95,973,552	14,755,000	1,006,967,973	109,450,693	16,239,017
Total Liabilities	1,174,364,473	102,265,266	16,250,760	1,044,117,507	115,834,737	17,716,949
Deferred Inflows of Resources	1,820,523	-	-	4,916,176	-	-
Total Liabilities and Deferred Inflows of Resources	1,176,184,996	102,265,266	16,250,760	1,049,033,683	115,834,737	17,716,949
Net Position						
Net investment in capital assets	-	-	(2,004,915)	-	-	(1,811,810)
Restricted by bond indentures	379,517,960	5,204,828	68,445,577	331,848,934	3,905,814	66,014,747
Total Liabilities, Deferred Inflows, and Net Position	\$ 1,555,702,956	\$ 107,470,094	\$ 82,691,422	\$ 1,380,882,617	\$ 119,740,551	\$ 81,919,886
Condensed Statement of Revenues, Expenses, and Changes in Net Position						
Operating revenues	\$ 89,836,656	\$ 5,123,360	\$ 4,163,307	\$ 9,710,461	\$ 5,146,717	\$ 1,062,689
Operating expenses	35,555,366	3,824,346	1,925,582	29,790,158	4,172,848	1,591,844
Operating income	54,281,290	1,299,014	2,237,725	(20,079,697)	973,869	(529,155)
Transfers in (out)	(6,603,264)	-	-	(777,218)	-	(602,936)
Change in net position	47,678,026	1,299,014	2,237,725	(20,856,915)	973,869	(1,132,091)
Beginning net position	331,848,934	3,905,814	64,202,937	352,705,849	2,931,945	65,335,028
Ending net position	\$ 379,526,960	\$ 5,204,828	\$ 66,440,662	\$ 331,848,934	\$ 3,905,814	\$ 64,202,937
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	\$ (134,726,222)	\$ 19,611,886	\$ 986,255	\$ (85,520,333)	\$ 26,244,467	\$ 3,335,571
Noncapital financing activities	88,453,514	(16,847,495)	(1,736,410)	85,635,415	(30,236,586)	(2,602,283)
Capital and related financing activities	-	-	(176,008)	-	-	(144,549)
Investing activities	67,051,356	5,954,734	1,223,357	(23,918,550)	322,589	(1,682,347)
Net change	20,778,648	8,719,125	297,194	(23,803,468)	(3,669,530)	(1,093,608)
Beginning cash and cash equivalents	192,104,344	9,363,317	1,276,608	215,907,812	13,032,847	2,370,216
Ending cash and cash equivalents	\$ 212,882,992	\$ 18,082,442	\$ 1,573,802	\$ 192,104,344	\$ 9,363,317	\$ 1,276,608

Note 14 - 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.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Plan retirement fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85, or after age 55 for Class B Foundational judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
 - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLA, the fair value of assets will be greater or equal to the accrued liabilities.

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. The Authority's share of contributions to the SDRS, at 6% of salary for the fiscal years ending June 30, 2019, 2018, and 2017 were \$198,403, 192,445, and \$200,308, 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, 2018 and 2017, SDRS is 100.02% and 100.1%, respectively, funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension liability (asset) of SDRS, for the Authority as of the measurement period ending June 30, 2018 and 2017, respectively, and reported by the Authority as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Proportionate share of total pension liability	\$ 18,874,159	\$ 19,117,560
Less proportionate share of net position restricted for pension benefits	18,877,757	19,132,471
Proportionate share of net pension liability (asset)	<u>\$ (3,598)</u>	<u>\$ (14,911)</u>

At June 30, 2019 and 2018, the Authority reported a liability (asset) of (\$3,598) and (\$14,911), respectively, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018 and 2017 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, 2018, the Authority's proportion was 0.15428400% which was a decrease of 0.01% or 0.0100273% from its proportion measured as of June 30, 2017 of 0.1643113% which was a decrease of 5.5% or 0.0096154% from its proportion measured as of June 30, 2016 of 0.1739267%.

For the years ended June 30, 2019 and 2018, the Authority recognized pension expense of \$272,031, and a reduction of pension expense of \$520,581, respectively. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 136,001	\$ -
Changes in assumption	913,535	-
Net difference between projected and actual earnings on pension plan investments	-	271,943
Changes in proportion and difference between Authority contributions and proportionate share of contributions	71,702	21,067
Authority contributions subsequent to the measurement date	198,403	-
Total	<u>\$ 1,319,641</u>	<u>\$ 293,010</u>

At June 30, 2019, there is \$ 198,403 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, 2020.

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

<u>Year Ended June 30:</u>	
2020	\$ 498,042
2021	383,809
2022	(28,396)
2023	(25,227)
Total	<u>\$ 828,228</u>

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 238,922	\$ -
Changes in assumption	1,157,779	-
Net difference between projected and actual earnings on pension plan investments	-	286,685
Changes in proportion and difference between Authority contributions and proportionate share of contributions	26,695	70,580
Authority contributions subsequent to the measurement date	192,445	-
Total	<u>\$ 1,615,841</u>	<u>\$ 357,265</u>

At June 30, 2018, there was \$192,445 reported as deferred outflow of resources related to pensions resulting from Authority contributions subsequent to the measurement date that was recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Actuarial Assumptions:

The total pension liability (asset) in the SDRS June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded by years of service, from 6.5% at entry to 3.0% after 25 years of service
Discount rate	6.50% net of plan investment expense

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females, and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

A detailed experience analysis covering the period from June 30, 2011, to June 30, 2016, was conducted and appropriate modifications in the economic and demographic assumptions were made effective with the June 30, 2017, actuarial valuation.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	58.0%	4.8%
Fixed Income	30.0%	1.8%
Real Estate	10.0%	4.6%
Cash	2.0%	0.7%
Total	<u>100.0%</u>	

Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member 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 liability (asset).

Sensitivity of asset to changes in the discount rate:

The following presents the Authority’s proportionate share of net pension liability (asset) as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the Authority’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability (asset)	\$ 2,717,695	\$ (3,598)	\$ (2,217,223)

Pension Plan Fiduciary Net Position:

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

Note 15 - 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 16 - 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, 2019 and 2018, the Authority managed its risks as follows:

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

Note 17 - Capital Assets:

	Beginning Balance July 1, 2018	Increase	Decrease	Ending Balance June 30, 2019
Capital assets not depreciated				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	<u>220,409</u>	<u>-</u>	<u>-</u>	<u>220,409</u>
Capital assets depreciated				
Buildings	4,999,915	-	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,123,448	236,380	-	4,359,828
Total capital assets depreciated	<u>10,385,306</u>	<u>236,380</u>	<u>-</u>	<u>10,621,686</u>
Total capital assets	<u>10,605,715</u>	<u>236,380</u>	<u>-</u>	<u>10,842,095</u>
Less accumulated depreciation for:				
Buildings	1,216,118	127,717	-	1,343,835
Land improvements	758,236	37,026	-	795,262
Furniture and equipment	3,353,068	217,649	-	3,570,717
Total accumulated depreciation	<u>5,327,422</u>	<u>382,392</u>	<u>-</u>	<u>5,709,814</u>
Capital assets, net	<u>\$ 5,278,293</u>	<u>\$ (146,012)</u>	<u>\$ -</u>	<u>\$ 5,132,281</u>
	Beginning Balance July 1, 2017	Increase	Decrease	Ending Balance June 30, 2018
Capital assets not depreciated				
Land	\$ 220,409	\$ -	\$ -	\$ 220,409
Total capital assets not depreciated	<u>220,409</u>	<u>-</u>	<u>-</u>	<u>220,409</u>
Capital assets depreciated				
Buildings	4,949,532	50,383	-	4,999,915
Land improvements	1,261,943	-	-	1,261,943
Furniture and equipment	4,066,492	71,214	14,258	4,123,448
Total capital assets depreciated	<u>10,277,967</u>	<u>121,597</u>	<u>14,258</u>	<u>10,385,306</u>
Total capital assets	<u>10,498,376</u>	<u>121,597</u>	<u>14,258</u>	<u>10,605,715</u>
Less accumulated depreciation for:				
Buildings	1,088,370	127,748	-	1,216,118
Land improvements	721,210	37,026	-	758,236
Furniture and equipment	3,088,660	278,666	14,258	3,353,068
Total accumulated depreciation	<u>4,898,240</u>	<u>443,440</u>	<u>14,258</u>	<u>5,327,422</u>
Capital assets, net	<u>\$ 5,600,136</u>	<u>\$ (321,843)</u>	<u>\$ -</u>	<u>\$ 5,278,293</u>

Note 18 - Accounts Payable and Other Accruals:

Payables at June 30, 2019 and 2018, were as follows:

	2019	2018
Accounts Payable		
Contractual	\$ 57,307	\$ 56,548
Travel/moving costs	20,180	10,601
Office	6,341	13,512
Marketing	136,135	8,122
Maintenance	15,428	6,838
Cost of issuance	14,372	230,230
General	1,925	1,320
Prepaid sales	823,545	191,877
Excise/unemployment tax	23,102	8,141
Materials/tools	206,603	147,481
	<u>1,304,938</u>	674,670
Other Liabilities		
Amount held for SD Homebuilders Association	950,000	950,000
Accrued vacation	616,922	581,348
Accrued payroll/taxes	163,683	-
Employee withholdings	-	19,829
Servicing fee	81,038	83,293
Arbitrage payable	-	13,696
	<u>3,116,581</u>	2,322,836
Total accounts payable and other liabilities	3,116,581	2,322,836
Current liabilities	2,166,581	1,372,836
Noncurrent liabilities	<u>\$ 950,000</u>	<u>\$ 950,000</u>

Note 19 - Change in Accounting Principle:

During 2019, the Authority early implemented GASB Statement No. 91, *Conduit Debt Obligations*. The implementation of this Statement establishes a single method of reporting conduit debt obligations by issuers and improves the required note disclosures of those conduit debt obligations. The 2018 financial statements, including beginning net position as of July 1, 2017, were restated to retroactively remove the conduit debt obligations previously carried as liabilities, as well as the collateralizing conduit debt obligation assets as follows:

Net position at June 30, 2017, as previously reported		\$ 508,611,778
Remove collateralizing conduit debt obligation assets	(22,334,685)	
Remove conduit debt obligations	<u>21,953,542</u>	
Change in beginning net position due to adoption of GASB 91		<u>(381,143)</u>
Net position at July 1, 2017, as restated		<u><u>\$ 508,230,635</u></u>

Note 20 - Subsequent Events

In September 2019, the Authority issued the 2019 Series B Homeownership Mortgage Bonds in the principal amount of \$99,000,000.

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South Dakota Housing
Development Authority
Required Supplementary Information
June 30, 2019

Schedule of Authority's Contributions

As of June 30, 2019

South Dakota Retirement System

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 198	\$ 192	\$ 201	\$ 198	\$ 178	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>198</u>	<u>192</u>	<u>201</u>	<u>198</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 3,306	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	6.00%	6.00%	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.

Schedule of Authority's Proportionate Share of the Net Pension Liability (Asset)

As of June 30, 2019

South Dakota Retirement System

Last 10 Fiscal Years *
(Dollar amounts in thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Authority's proportion of the net pension liability (asset)	0.154284%	0.164311%	0.173927%	0.162348%	0.153799%	%	%	%	%	%
Authority's proportionate share of net pension liability (asset)	\$ (4)	\$ (15)	\$ 588	\$ (689)	\$ (1,108)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 3,207	\$ 3,338	\$ 3,347	\$ 3,004	\$ 2,760	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.12%	-0.45%	17.57%	-22.94%	-40.14%					
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.02%	100.1%	96.89%	104.1%	107.3%					

* 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:

No significant changes.

Changes of Assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2017 as exists again this year as of June 30, 2018. Future COLAs are assumed to equal the current restricted maximum COLA which was 1.89% as of June 30, 2017, and is 2.03% as of June 30, 2018.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 1.89% COLA, reflecting the current and assumed future restricted maximum COLA of 2.03%.



South Dakota Housing Development Authority

Supplementary Information
June 30, 2019

Supplemental Schedule of Net Position

As of June 30, 2019

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<i>Assets</i>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 12,970,596	\$ 212,882,992	\$ 18,082,442	\$ 1,573,802	\$ 245,509,832
Investment securities - other	1,564,056	14,157,050	-	8,850,644	24,571,750
Investments - program mortgage-backed securities	-	95,528,429	10,306	-	95,538,735
Mortgage loans receivable, net	3,844,558	25,658,721	10,523,535	1,483,893	41,510,707
Interest receivable	180,018	4,509,882	420,672	426,266	5,536,838
Other receivables	639,483	-	-	-	639,483
Other assets	3,288,203	-	-	-	3,288,203
Hedging derivatives	-	448,451	-	-	448,451
<i>Total Current Assets</i>	22,486,914	353,185,525	29,036,955	12,334,605	417,043,999
<i>Noncurrent Assets</i>					
Investment securities - other	2,517,244	232,984,706	5,300,217	53,729,053	294,531,220
Investments - program mortgage-backed securities	-	717,479,475	77,406	-	717,556,881
Mortgage loans receivable, net	79,412,585	187,620,289	77,627,627	12,939,929	357,600,430
Line of credit receivable	-	50,926,403	-	-	50,926,403
Other receivables	3,598	971,360	-	3,926	978,884
Furniture and equipment, net	559,660	-	-	229,451	789,111
Building, net	150,044	-	-	3,506,036	3,656,080
Land Improvement, net	22,083	-	-	444,598	466,681
Land	220,409	-	-	-	220,409
Due from (to) other funds	(2,172,689)	7,326,502	(4,572,111)	(581,702)	-
<i>Total Noncurrent Assets</i>	80,712,934	1,197,308,735	78,433,139	70,271,291	1,426,726,099
<i>Total Assets</i>	103,199,848	1,550,494,260	107,470,094	82,605,896	1,843,770,098
<i>Deferred Outflows of Resources</i>					
Loss on refunding	-	3,037,032	-	85,526	3,122,558
Forward contracts	-	160,754	-	-	160,754
Swaps	-	2,010,910	-	-	2,010,910
Related to pensions	1,319,641	-	-	-	1,319,641
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 104,519,489	\$ 1,555,702,956	\$ 107,470,094	\$ 82,691,422	\$ 1,850,383,961

(continued on next page)

Supplemental Schedule of Net Position

As of June 30, 2019

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<i>Liabilities</i>					
<i>Current Liabilities</i>					
Bonds payable	\$ -	\$ 39,528,078	\$ 5,730,000	\$ 1,420,000	\$ 46,678,078
Accrued interest payable	-	5,975,635	537,738	75,760	6,589,133
Accounts payable and other liabilities	2,085,543	57,062	23,976	-	2,166,581
Multifamily escrows and reserves	5,426,576	-	-	-	5,426,576
<i>Total Current Liabilities</i>	7,512,119	45,560,775	6,291,714	1,495,760	60,860,368
<i>Noncurrent Liabilities</i>					
Bonds payable	-	1,126,632,034	95,973,552	14,755,000	1,237,360,586
Accounts payable and other liabilities	950,000	-	-	-	950,000
Hedging derivatives	-	2,171,664	-	-	2,171,664
<i>Total Noncurrent Liabilities</i>	950,000	1,128,803,698	95,973,552	14,755,000	1,240,482,250
<i>Total Liabilities</i>	8,462,119	1,174,364,473	102,265,266	16,250,760	1,301,342,618
<i>Deferred Inflows of Resources</i>					
Forward contracts	-	6,047	-	-	6,047
Gain on refunding	-	1,372,072	-	-	1,372,072
Swaps	-	442,404	-	-	442,404
Related to pensions	293,010	-	-	-	293,010
<i>Total Liabilities and Deferred Inflows of Resources</i>	8,755,129	1,176,184,996	102,265,266	16,250,760	1,303,456,151
<i>Net Position</i>					
Net investment in capital assets	952,196	-	-	(2,004,915)	(1,052,719)
Restricted for pension benefits	1,030,229	-	-	-	1,030,229
Restricted by statute	15,259,273	-	-	-	15,259,273
Restricted by bond indentures	-	379,517,960	5,204,828	68,445,577	453,168,365
Restricted by HOME and NSP Program	78,522,662	-	-	-	78,522,662
<i>Total Net Position</i>	95,764,360	379,517,960	5,204,828	66,440,662	546,927,810
<i>Total Liabilities, Deferred Inflows of Resources, and Net Position</i>	\$ 104,519,489	\$ 1,555,702,956	\$ 107,470,094	\$ 82,691,422	\$ 1,850,383,961

Supplemental Schedule of Operations and Changes in Net Position

For the Year Ended June 30, 2019

	General Operating Account	Homeownership Mortgage Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Combined Total
<i>Operating Revenues</i>					
Interest income on mortgage loans	\$ 135,438	\$ 11,977,807	\$ 4,176,393	\$ 492,900	\$ 16,782,538
Earnings on investments and program mortgage-backed securities	350,449	31,154,958	561,995	1,645,090	33,712,492
Net increase in fair value of investments and program mortgage-backed securities	5,368	46,703,891	384,972	2,025,317	49,119,548
HUD contributions	28,131,640	-	-	-	28,131,640
Fee, grant and other income	7,331,451	-	-	-	7,331,451
<i>Total Operating Revenues</i>	35,954,346	89,836,656	5,123,360	4,163,307	135,077,669
<i>Operating Expenses</i>					
Interest	-	30,588,958	3,253,169	553,561	34,395,688
Housing assistance payments	22,927,771	-	-	-	22,927,771
Servicer fees	-	822,822	353,511	-	1,176,333
Arbitrage rebate expense (benefit)	-	-	-	(425)	(425)
General and administrative	5,904,619	1,059,492	19,123	298,349	7,281,583
Bond financing costs	-	2,620,494	25,000	61,000	2,706,494
Other housing programs	8,318,161	-	-	1,013,097	9,331,258
Provision for loan loss	783	463,600	173,543	-	637,926
<i>Total Operating Expenses</i>	37,151,334	35,555,366	3,824,346	1,925,582	78,456,628
<i>Net Income (Loss) Before Interfund Transfers</i>	(1,196,988)	54,281,290	1,299,014	2,237,725	56,621,041
<i>Interfund Transfers</i>	6,603,264	(6,603,264)	-	-	-
<i>Changes in Net Position</i>	5,406,276	47,678,026	1,299,014	2,237,725	56,621,041
<i>Net Position, Beginning of Fiscal Year, as restated</i>	90,358,084	331,839,934	3,905,814	64,202,937	490,306,769
<i>Net Position, End of Fiscal Year</i>	\$ 95,764,360	\$ 379,517,960	\$ 5,204,828	\$ 66,440,662	\$ 546,927,810

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
2016 Series DEF	11/15/2016	various	\$ 29,905,015	-	\$ 29,905,015
2017 Series ABC	6/15/2017	various	34,618,612	-	34,618,612
2019 Series A	2/26/2019	various	49,437,922	-	49,437,922
			<u>\$ 113,961,549</u>		

TABLE II

Type of Home Financed with Outstanding Homeownership Mortgage Loans

Type of Home	Number of Homes
Single Family Detached	95.04%
Single Family Townhouse/Condominium	2.94%
Two-Four Unit	0.51%
Modular-Manufactured	1.51%
	<u>100.00%</u>

TABLE III

Outstanding Step Homeownership Mortgage Loans

Years Outstanding	Number	Principal Amount
1	-	\$ -
2	-	-
3	-	-
4	-	-
5 or more	311	14,136,107
Total	<u>311</u>	<u>\$ 14,136,107</u>

TABLE IV

Outstanding Homeownership Mortgage Loans

Interest Rate	Outstanding Number	Outstanding Principal Amount	Interest Rate	Outstanding Number	Outstanding Principal Amount
3.750%	1	\$ 110,809	6.600%	2	\$ 32,580
4.125%	7	481,448	6.625%	5	334,138
4.375%	1	155,730	6.650%	57	1,040,736
4.500%	46	3,602,721	6.750%	36	555,030
4.600%	1	59,904	6.850%	22	684,983
4.625%	2	121,911	6.875%	1	14,231
4.750%	617	35,565,362	6.890%	9	216,834
4.850%	58	4,784,361	6.900%	12	399,275
4.950%	640	35,845,995	6.950%	45	1,499,018
5.000%	28	2,075,745	7.050%	1	16,063
5.125%	111	7,127,558	7.110%	42	1,294,096
5.150%	138	8,017,776	7.125%	1	103,055
5.250%	251	16,269,532	7.250%	43	698,932
5.375%	139	9,384,319	7.300%	20	380,795
5.425%	19	1,311,744	7.360%	5	137,059
5.450%	14	793,014	7.400%	16	499,839
5.500%	419	25,846,627	7.450%	6	202,745
5.625%	35	2,570,489	7.550%	8	261,970
5.750%	60	3,716,019	7.600%	9	197,211
5.850%	81	5,864,360	7.625%	11	62,901
5.950%	417	16,983,061	7.650%	2	110,287
6.000%	86	4,236,556	7.875%	1	3,039
6.125%	14	1,081,193	7.950%	12	206,827
6.150%	5	337,053	8.100%	1	13,423
6.250%	33	1,563,587	8.250%	3	4,086
6.375%	4	376,962	8.375%	6	25,967
6.400%	28	865,135	8.500%	7	12,823
6.450%	19	500,642	8.750%	1	3,183
6.500%	190	5,708,268	8.900%	1	3,025
				3,849	\$ 204,372,032
				3,849	\$ 204,372,032

TABLE V

Type of Mortgage Insurance for Outstanding Homeownership Mortgage Loans

Insurer or Guarantor	Percent of Principal Amount
FHA	31.76%
VA	4.23%
USDA Rural Development	40.59%
Private Mortgage Insurance	
Mortgage Guaranty Insurance Company	5.11%
Genworth	1.24%
PMI	0.33%
United Guaranty Insurance	0.44%
CMG Mortgage Insurance Company	0.10%
Total PMI Insured Mortgage Loans	7.22%
Total Insured Mortgage Loans	83.80%
Uninsured	16.20%
Total All Mortgage Loans	100.00%

TABLE VI

Servicers of Outstanding Homeownership Mortgage Loans

Servicer	Principal Amount
Great Western	\$ 141,647,533
Bankwest	5,802,276
CorTrust Mortgage	47,110,232
First Bank & Trust	9,755,811
CU Mortgage	56,180
	\$ 204,372,032

TABLE VII

Homeownership Mortgage Loan Delinquencies and Foreclosures

	Homeownership Program		NIBP Program	
	As of 6/30/2019	As of 6/30/2018	As of 6/30/2019	As of 6/30/2018
31-60 Days (one payment) Delinquent	5.30%	4.41%	4.83%	4.52%
61-90 Days (two payments) Delinquent	1.17%	0.79%	0.46%	0.82%
91 Days or More (three or more payments) Delinquent	0.88%	0.94%	0.84%	0.42%
Total Delinquent	7.35%	6.14%	6.13%	5.76%
In Foreclosure	0.86%	1.54%	1.03%	1.73%

Table VIII

Valuation of Assets

Value of Principal Assets of Homeownership Program	\$ 1,445,527,506
Amount of Outstanding Homeownership Bonds	\$ 1,144,059,740
Parity Calculation	126.35%
Parity Requirement	102.00%
Value of Principal Assets of Single Family Program	\$ 114,215,031
Amount of Outstanding Single Family Bonds	\$ 100,965,000
Parity Calculation	113.12%
Parity Requirement	100.00%

Table IX

Special Program Fund of the Authority

Homeownership Program	\$ 160,763,420
Single Family Program	\$ -
Multi Purpose Program	\$ 54,358,002

Table X

Description of Multifamily Developments

Loans and Developments securing the Outstanding Multiple Purpose Bonds as of June 30, 2019:

Development	Location	Number of Units	Twelve Month Occupancy Average (2)	Initial Loan Amount	Current Loan Amount (3)	Interest Rate	Preservation Loans	
							Amount (3)	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	280,999	0.00	-	-
Edmonton Heights	Gregory	16	NA	524,000	-	0.00	283,627	3.00
Pheasant Valley Courtyard	Milbank	60	86.5	1,556,000	883,894	5.00	-	-
Homestead Heights	Bison	16	NA	355,400	-	0.00	-	-
JARD Apartments	Sisseton	16	NA	343,960	-	0.00	-	-
Canterbury House	Sioux Falls	50	NA	1,278,200	-	0.00	-	-
Lynlo Heights	Armour	20	NA	462,900	-	0.00	215,212	3.00
The Lidi	Tyndall	24	NA	493,500	-	0.00	-	-
Huey Apartments	Sioux Falls	46 (1)	NA	1,390,000	-	0.00	-	-
Bi-Centennial Apts	Aberdeen	48	98.3	1,026,244	-	0.00	-	-
Grandview Apartments	Mitchell	34	NA	734,500	-	0.00	-	-
Heritage Estates II	Brookings	44	72.7	912,000	-	0.00	-	-
Prairie View	Madison	25 (1)	78.0	576,000	-	0.00	-	-
Maplewood Townhouses	Rapid City	50	96.0	2,859,100	17,068	6.78	-	-
Canyon Ridge	Yankton	60	91.0	1,575,600	-	0.00	-	-
Lombardi Courts	Mitchell	30	80.0	977,500	-	0.00	-	-
Fifth Avenue South	Aberdeen	50	100.0	1,400,000	90,073	6.78	-	-
Woodland Hills	Sioux Falls	32	86.5	1,100,000	-	0.00	-	-
The Evans	Hot Springs	86 (1)	85.0	3,094,600	268,607	6.78	1,000,000	2.50
Dakota Square	Aberdeen	55	94.4	1,730,300	65,499	8.50	74,868	2.50
Majestic View Townhouses	Hot Springs	20	80.0	596,630	-	0.00	276,272	4.25
Seneschal Apts	Philip	16	92.0	520,000	-	0.00	113,775	2.25
Riverview Townhouses	Philip	10	85.0	320,000	-	0.00	187,623	3.85
Gateway I Apts	Kadoka	16	68.3	479,000	-	0.00	-	-
The Sherman	Aberdeen	51	97.9	1,950,000	302,270	8.50	-	-
Presho Courts	Presho	15	28.3	439,000	1,000	0.00	-	-
Parkview Apts	Madison	28	78.9	890,000	80,490	8.50	30,000	2.00
Oakwood Apts	Vermillion	28	89.9	890,000	62,499	8.50	-	-
Arthur Courts	Redfield	16	68.8	510,000	-	0.00	-	-
Terrawood Townhouses	Sioux Falls	4	NA	100,900	-	0.00	-	-
Beadle Plaza	Sioux Falls	44	NA	1,353,096	-	0.00	-	-
St. Cloud Apts	Rapid City	16 (1)	91.1	562,000	-	0.00	-	-
Gateway II Apts	Kadoka	14	43.4	463,800	-	0.00	-	-
Grand Valley Apts	Newell	12	91.0	368,600	86,545	3.00	-	-
Sir Charles	Yankton	34	91.4	1,184,200	-	0.00	19,836	3.60
Timberland	Lead	24	86.1	85,300	-	0.00	1,026,731	3.75-5.00
Collins Apts	Sioux Falls	23	92.7	670,000	96,397	9.65	-	-
Baha Townhouses	Sioux Falls	21	94.9	778,900	122,780	9.65	-	-
Hospitality Apts	Sioux Falls	22	54.0	461,599	97,797	9.65	-	-
Whiting Court	Yankton	17	82.2	601,284	-	0.00	-	-
Prairie West	Lemmon	24	73.6	630,900	125,262	9.65	-	-
Sun Rise Apts	Aberdeen	27	90.1	474,500	115,310	9.65	-	-
Cedar Apts	Brookings	32	76.0	1,068,800	-	0.00	-	-
The Lidi II	Tyndall	10 (1)	81.7	255,000	45,346	9.65	-	-
Gold Mountain Apt.	Lead	20	95.0	272,490	229,534	9.65	169,567	0.00
Calypso Court	Chamberlain	16	69.3	550,000	-	0.00	-	-
Riverview Park	Sioux Falls	50	94.7	1,873,700	-	0.00	-	-
Olive Grove Apts	Sioux Falls	19	96.5	601,271	-	0.00	-	-
Sunnycrest	Sioux Falls	222	97.3	7,320,000	5,979,753	3.55 - 4.65	-	-
				<u>\$ 50,012,351</u>	<u>\$ 8,951,123</u>		<u>\$3,397,511</u>	

(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, 2019.

(3) Amounts are balances as of June 30, 2019.

Table XI

Liquidity Providers

The following table sets forth certain information relating to liquidity providers for variable interest rate bonds issued and outstanding as of June 30, 2019.

<u>Series of Bonds</u>	<u>Liquidity Provider</u>	<u>Liquidity Provider Rating (Moody's/S&P)</u>	<u>Expiration Date</u>	<u>Bonds Outstanding</u>
2015 Series C	The Authority	Aa3/NR	11/1/2045	\$ 30,000,000

Table XII

Outstanding Guaranteed Mortgage Securities as of June 30, 2019

<u>Pass Through Rate</u>	<u>Principal Amount</u>	<u>Pass Through Rate</u>	<u>Principal Amount</u>
1.925	\$ 74,434	3.250	\$ 917,470
2.000	29,130,394	3.275	7,432,533
2.025	1,319,227	3.300	3,531,087
2.030	118,710	3.375	376,254
2.050	73,006	3.400	312,047
2.175	1,436,957	3.425	12,190,559
2.232	21,614	3.500	111,587,618
2.250	5,395,582	3.525	5,199,177
2.275	2,333,063	3.550	32,502,181
2.280	728,553	3.625	124,033
2.300	9,438,893	3.650	4,428,880
2.400	521,521	3.675	11,881,768
2.425	10,718,836	3.775	4,038,947
2.500	110,209,909	3.800	9,848,298
2.525	3,298,061	3.875	87,689
2.530	342,664	3.900	399,625
2.550	634,862	3.925	6,019,959
2.625	581,279	4.000	96,176,387
2.650	644,345	4.050	3,522,504
2.675	4,639,451	4.175	9,541,870
2.750	3,866,316	4.275	102,238
2.775	3,017,508	4.300	23,300,878
2.780	103,820	4.425	15,029,393
2.800	6,208,916	4.450	103,368
2.875	163,428	4.500	9,265,229
2.900	1,272,469	4.550	6,953,704
2.925	27,549,854	4.575	104,744
3.000	162,190,391	4.625	67,786
3.025	8,192,429	4.675	2,173,638
3.050	8,091,790	4.800	5,756,537
3.125	415,392	5.000	65,610
3.150	2,699,082	5.250	38,578
3.175	7,040,150	5.500	346
		Total	<u>\$ 795,553,841</u>