Financial Report
June 30, 2011 and 2010

South Dakota Housing Development Authority

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

We have audited the accompanying statements of net assets of South Dakota Housing Development Authority, a component unit of the State of South Dakota, as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of South Dakota Housing Development Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Dakota Housing Development Authority as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Our audits were conducted for the purpose of forming opinions on the basic financial statements of South Dakota Housing Development Authority taken as a whole. The supplementary schedules set forth on pages 31 and 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Aberdeen, South Dakota
November 14, 2011

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, 2011 (FY 2011) and 2010 (FY 2010). 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 the Act as a body politic and corporate and an independent public instrumentality for the purpose of encouraging the investment of private capital for the construction and rehabilitation of residential housing to meet the needs of persons and families in the state. Among other things, the Authority is authorized to issue bonds and notes to obtain funds to purchase mortgage loans to be originated by mortgage lenders and to make mortgage loans to individuals for the construction and permanent financing of single family housing; to make mortgage loans to qualified sponsors for the construction and permanent financing of multifamily housing; to purchase, under certain circumstances, existing mortgage loans; to purchase, from mortgage lenders, securities guaranteed by an instrumentality of the United States that finances mortgage loans; and to issue bonds to refund outstanding bonds. Additionally, the Authority has the power, among other powers, to provide technical, consulting and project assistance services to private housing sponsors; to assist in coordinating federal, state, regional and local public and private housing efforts; and to act as a housing and redevelopment commission. The Authority is also authorized to provide financing for day care facilities and assisted living and congregate care facilities; to guarantee mortgage loans; and to provide rehabilitation financing.

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

Basic Financial Statements
The basic financial statements include three required statements that provide different views of the Authority. They are the Statement of Net Assets, the Statement of Revenues, Expenses, and Change in Net Assets, the Statement of Cash Flows, and the accompanying notes to the financial statements.

The Statement of Net Assets provides information about the liquidity and solvency of the Authority by indicating the nature and the amounts of investments in resources (assets), the obligations to Authority creditors (liabilities), and net assets. Net assets represent the amount of total assets, less total liabilities. The organization of the statement separates assets and liabilities into current and non-current.

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

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

Changes in Financial Position

The following tables show the significant changes that have taken place over the past three fiscal years ended FY 2011, FY 2010 and June 30, 2009 (FY 2009) for the Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets of the Authority:

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

	FY 2011	FY 2010	FY 2009	% Change 2011/2010	% Change 2010/2009
Revenues:					
Interest on mortgages	$ 78.9	$ 80.5	$ 80.3	-2.0%	0.2%
Investment income	22.0	24.6	28.9	-10.6%	-14.9%
Increase (decrease) in fair market value of investments	(6.9)	5.7	6.2	-221.1%	-8.1%
HUD and other federal conributions	47.6	36.0	25.6	32.2%	40.6%
Other income	6.4	8.9	7.5	-28.1%	18.7%
Total revenues	148.0	155.7	148.5	-4.9%	4.8%
Expenses:					
Interest	73.1	76.2	87.0	-4.1%	-12.4%
Servicer fees	4.5	4.4	5.1	2.3%	-13.7%
Arbitrage rebate provision (benefit)	(2.6)	(0.4)	4.3	550.0%	-109.3%
General and administrative	6.1	6.2	5.5	-1.6%	12.7%
Housing assistance payments	24.7	24.1	23.1	2.5%	4.3%
Other	25.5	11.9	6.9	114.3%	72.5%
Total expenses	131.3	122.4	131.9	7.3%	-7.2%
Change in net assets	$ 16.7	$ 33.3	$ 16.6	-49.8%	100.6%

Changes in Assets and Liabilities Net Assets
(In Millions of Dollars)

	FY 2011	FY 2010	FY 2009	% Change 2011/2010	% Change 2010/2009
Assets:					
Cash and equivalents	$ 241.2	$ 284.4	$ 222.1	-15.2%	28.1%
Investments	423.2	561.2	638.3	-24.6%	-12.1%
Mortgages and securities	1,588.8	1,635.5	1,547.7	-2.9%	5.7%
Interest receivable	11.3	11.4	10.9	-0.9%	4.6%
Deferred swap outflow	24.1	30.1	19.9	-19.9%	51.3%
Deferred costs	12.5	14.1	14.2	-11.3%	-0.7%
Capital assets	6.5	6.8	6.4	-4.4%	6.2%
Other	4.1	3.8	4.4	7.9%	-13.6%
Total assets	2,311.7	2,547.3	2,463.9	-9.2%	3.4%
Liabilities:					
Current bond payable	185.8	178.4	103.8	4.1%	71.9%
Interest payable	11.3	12.3	13.9	-8.1%	-11.5%
Fair value of interest swap rate	24.1	30.1	19.9	-19.9%	51.3%
Other	22.3	29.6	32.7	-24.7%	-9.5%
Noncurrent bonds payable	1,614.1	1,859.6	1,889.6	-13.2%	-1.6%
Total liabilities	1,857.6	2,110.0	2,059.9	-12.0%	2.4%
Net Assets:					
Invested in capital assets, net of related debt	(0.1)	0.9	1.0	-113.3%	-10.0%
Restricted by bond indentures	398.9	384.6	359.4	3.7%	7.0%
Restricted by HOME and NSP program	55.3	51.9	43.7	6.6%	18.8%
Total net assets	$ 454.1	$ 437.4	$ 404.1	3.8%	8.2%

Financial Highlights for FY 2011

- Total operating revenues decreased 4.9% to $148 million for FY 2011, from $155.7 million in FY 2010 due to a decrease in the fair market value of investments.

- Total operating expenses increased 7.3% to $131.3 million for FY 2011, from $122.4 million in FY 2010 due to an increase in grant expense for the Neighborhood Stabilization Program and Tax Credit Assistance Program.

- Net assets of the Authority for FY 2011 were $454.1 million, which represented an increase of $16.7 million, or 3.8% from the FY 2010 net assets level.

- Mortgage loans receivable were $1,588.8 million for FY 2011, which represented a decrease of $46.7 million, or 2.9% for FY 2011, from the FY 2010 level of $1,635.5 million. This was a result of repayments, prepayments and loss reserves net of new loan purchases.

- Interest received on mortgage loans was $78.9 million for FY 2011, which represented a decrease of $1.6 million from the $80.5 million reported in FY 2010. As the loan balance decreased so did the interest received on loans.

- Investment income was $22.0 million for FY 2011, which represented a decrease of $2.6 million, or 10.6% in FY 2011, from $24.6 million in FY 2010 due to the low interest rates received on new investments. The fair market value decreased by $6.9 million in FY 2011 and increased by $5.7 million in FY 2010. The FY 2011 fair market decrease was a result of rising interest rates at fiscal year end.

- Bonds and notes outstanding of the Authority were $1,799.9 million for FY 2011, which was a decrease of $238.1 million, or 11.7% in FY 2011, from $2,038.0 million in FY 2010 due to more bonds being redeemed or maturing during the year than bonds being issued.

- Interest expense on bonds and notes outstanding decreased $3.1 million, or 4% in FY 2011, from $76.2 million in FY 2010 as a result of less bonds outstanding during the year.

- The Authority performed an operating transfer of $846,000 from the Homeownership Mortgage Loan Program ($40,000) and the Single Family Mortgage Loan Program ($806,000) to the General Operating Account. The Authority transfered 1% of loan purchases to the General Operating Account to pay for operating expenses.

Financial Highlights for FY 2010

- Total operating revenues increased 4.8% to $155.7 million for FY 2010, from $148.5 million in FY 2009 due to an increase in federal grant funding. Programs contributing to the increase include Housing Assistance Payments, HOME, and the newly created Neighborhood Stabilization Program.

- Total operating expenses decreased 7.2% to $122.4 million for FY 2010, from $131.9 million in FY 2009 due to a decrease in interest paid on variable rate bonds and the amount recorded as arbitrage expense.

- Net assets of the Authority for FY 2010 were $437.4 million, which represented an increase of $33.3 million, or 8.2% from the FY 2009 net assets level.

- Mortgage loans receivable were $1,635.5 million for FY 2010, which represented an increase of $87.8 million, or 5.7% for FY 2010, from the FY 2009 level of $1,547.7 million. This was primarily due to loan purchases exceeding the level at which loans prepayments and curtailments were applied.

- Interest received on mortgage loans was $80.5 million for FY 2010, which represented an increase of $282,000 from the $80.3 million reported in FY 2009. Even though the loan balance increased in FY 2010, the weighted average interest rate decreased due to new loans being issued at historically low rates.

- Investment income was $24.6 million for FY 2010, which represented a decrease of $4.3 million, or 14.9% in FY 2010, from $28.9 million in FY 2009 due to the low interest rate environment.

- Bonds and notes outstanding of the Authority were $2,038 million for FY 2010, which was an increase of $44.6 million, or 2.2% in FY 2010, from $1,993.4 million in FY 2009 due to more bonds being purchased during the year than bonds being redeemed or matured.

- Interest expense on bonds and notes outstanding decreased $10.8 million, or 12.4% in FY 2010, from $87 million in FY 2009 as a result of no variable rate bonds becoming bank bonds in FY 2010 and a decrease in the variable rate paid on bonds.

Loan Portfolio Activity for FY 2011 and FY 2010

The Homeownership Mortgage Loan Program is the Authority's largest single category of assets. The loan portfolio decrease can be attributed to several factors: 1) No $8,000 income tax credit for homeowners from the U.S. Treasury, and 2) Conventional lending rates were lower than the Authority's rates for portions of FY 2011. The following are some key highlights of loan related activities:

- Through the use of the New Issue Bond Program (NIBP) the Authority created a new single family mortgage loan program called the Single Family Mortgage Loan Program. The Authority began purchasing loans under the Single Family Mortgage Loan Program in December 2009. The purchase of mortgage loans under the Homeownership Mortgage Loan Program has been discontinued temporarily as a result of the creation and use of the Single Family Mortgage Loan Program. The NIBP is scheduled to expire on December 31, 2011.

- The Homeownership and Single Family Mortgage Loan Programs purchased approximately $165.6 million of new mortgage loans during FY 2011. The portfolio decreased 2.9% to $1,588.8 as of FY 2011 from $1,635.5 million as of FY 2010. During FY 2010, the loan portfolio increased $87.8 million, or 5.7%, from $1,547.7 million as of FY 2009.

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 2011, the Authority had $1,799.9 million in bonds outstanding, a 11.7% decrease from FY 2010. As of FY 2010, the Authority had $2,038.0 million in bonds outstanding, a 2.2% increase from FY 2009.

The Authority issued a total of $155.4 million in bonds in FY 2011. Of that total, $30 million was issued as new long-term debt and $45 million was converted from NIBP issued short-term debt to long-term bonds and $80.4 million was short-term debt for warehousing. The proceeds were then used to purchase single family loans. No bonds were issued to preserve bonding authority or to refund bonds from prepayments and excess reserves during FY 2011. The Authority issued a total of $368.1 million in bonds in FY 2010. Of that total, $175 million was issued as long-term debt for the origination of single family loans, $193.1 million was issued as short-term debt, of which $60 million was converted to long-term bonds. $40 million in bonds were issued to preserve bonding authority and to refund bonds from prepayments and excess reserves during FY 2010.

The Authority retired or paid at maturity a total of $392.8 million in bonds in FY 2011. $347 million was redeemed from prepayments and excess reserves and $45.8 million was maturing principal. The Authority retired or paid at maturity a total of $321.6 million in bonds in FY 2010. $254.3 million was redeemed from prepayments and excess reserves and $67.3 million was maturing principal.

In FY 2011 and FY 2010, the Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's, and Aa1 by Moody's Investors Service. The Authority's Multiple Purpose Bonds are insured by Assured Guaranty Ltd. (formerly Financial Security Assurance Holdings, Ltd.) and are therefore rated Aa3 by Moody's Investors Service. Moody's Investors Service has given the Authority an Issuer Rating of Aa3. In FY 2011 the Authority's Single Family Mortgage Bonds were rated Aa3 by Moody's Investor Service.

During FY 2009, the Authority experienced a few failed remarketings that resulted in some bonds being purchased by the liquidity provider and becoming "bank bonds". All of the bonds with a liquidity facility provided by DEPFA Bank plc (DEPFA) became bank bonds after DEPFA's rating was downgraded in September 2008 by Moody's Investors Service and in October 2008 by Standard and Poor's. In February 2009, the Authority replaced the DEPFA liquidity facility with a facility of its own, at which point all bank bonds were successfully remarketed. In November 2009, most of this facility was replaced with a facility provided by the Federal Home Loan Bank of Des Moines. The Authority did not have any bank bonds during FY 2011 or 2010.

More detailed information about the Authority's debt can be found in Note 5, Bonds Payable.

Capital Assets
Capital assets decreased by $0.3 million in FY 2011 from $6.8 million in FY 2010 to $6.5 million in FY 2011. This net change is due to additions and retirement of assets and depreciation expense.

Capital assets increased by $0.4 million in FY 2010 from $6.4 million in FY 2009 to $6.8 million in FY 2010. This net change is due to additions and retirement of assets and depreciation expense.

More detailed information about the Authority's capital assets can be found in Note 13, Capital Assets.

Economic Outlook
In FY 2011 the Authority continued using the NIBP, which is scheduled to expire on December 31, 2011. The Authority will explore other avenues of financing single family loans as the NIBP comes to a close. In FY 2010, the Authority began using the NIBP to issue debt at a cost of funds that resulted in a lower, more attractive mortgage rate. In addition, the credit markets became more stable and hedging transactions performed as expected.

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

Assets	**2011**	2010
Current Assets		
Cash and cash equivalents (Note 3)	**$ 241,141,376**	$ 284,400,890
Investment in securities (Note 3)	**44,956,277**	29,961,023
Mortgage loans receivable, net (Note 4)	**78,169,147**	79,163,906
Guaranteed mortgage securities (Note 2)	**817,844**	757,487
Interest receivable	**11,314,637**	11,443,328
Other receivables	**556,770**	946,426
Other assets	**2,100,677**	1,369,596
Total Current Assets	**379,056,728**	408,042,656
Noncurrent Assets		
Investment in securities (Note 3)	**378,222,036**	531,263,462
Mortgage loans receivable, net (Note 4)	**1,460,050,818**	1,505,003,498
Guaranteed mortgage securities (Note 2)	**49,731,627**	50,543,264
Other receivables	**1,484,327**	1,468,291
Furniture and equipment, at cost, less accumulated depreciation	**933,796**	1,031,789
Building, at cost, less accumlated depreciation	**4,615,558**	4,741,291
Land improvement, at cost, less accumulated depreciation	**779,438**	836,473
Land	**220,409**	220,409
Deferred swap outflow (Note 6)	**24,124,719**	30,106,899
Deferred financing costs, net	**12,531,194**	14,127,737
Total Noncurrent Assets	**1,932,693,922**	2,139,343,113
Total Assets	**2,311,750,650**	2,547,385,769
Liabilities		
Current Liabilities		
Bonds payable (Note 5)	**185,776,745**	178,427,663
Accrued interest payable	**11,259,180**	12,277,143
Accounts payable and other liabilities (Note 14)	**1,554,730**	2,172,272
Multifamily escrows and reserves	**17,917,394**	20,091,973
Total Current Liabilities	**216,508,049**	212,969,051
Noncurrent Liabilities		
Bonds payable (Note 5)	**1,614,108,789**	1,859,591,054
Accounts payable and other liabilities (Note 14)	**2,852,977**	7,343,524
Fair value of interest rate swap agreements (Note 6)	**24,124,719**	30,106,899
Total Noncurrent Liabilities	**1,641,086,485**	1,897,041,477
Total Liabilities	**1,857,594,534**	2,110,010,528
Net Assets		
Invested in capital assets, net of related debt	**(50,799)**	861,467
Restricted by bond indentures	**398,904,546**	384,612,883
Restricted by HOME and NSP Program	**55,302,369**	51,900,891
Total Net Assets	**$ 454,156,116**	$ 437,375,241

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30

Operating Revenues		2011		2010
Interest income on mortgage loans	$	**78,941,552**	$	80,596,462
Interest on guaranteed mortgage securities		**1,663,806**		1,709,963
Earnings on investments		**20,377,701**		22,876,982
Net increase (decrease) in the fair market value of investments		**(6,949,029)**		5,692,898
HUD contributions		**42,835,755**		34,047,263
Other federal contributions		**4,797,355**		1,902,984
Other income		**6,438,229**		8,917,872
Total Operating Revenues		**148,105,369**		155,744,424
Operating Expenses				
Interest		**73,148,980**		76,139,199
Housing assistance payments		**24,706,483**		24,049,941
Servicer fees		**4,496,005**		4,444,819
Arbitrage rebate benefit		**(2,588,486)**		(424,214)
General and administrative		**6,057,039**		6,227,264
Amortization of deferred financing costs		**2,529,176**		2,734,374
Other housing programs		**21,345,282**		6,759,013
Provision for loan loss		**1,630,015**		2,502,461
Total Operating Expenses		**131,324,494**		122,432,857
Change in net assets		**16,780,875**		33,311,567
Net assets, beginning of year		**437,375,241**		404,063,674
Net Assets, End of Year	**$**	**454,156,116**	$	437,375,241

	2011	2010
Cash Flows Provided by (Used in) Operating Activities		
Receipts from loan payments	**$ 297,050,076**	$ 259,964,928
Receipts for program fees	**6,811,849**	8,670,746
Receipts from federal housing programs	**47,633,110**	35,950,247
Payments for loan programs	**(184,417,649)**	(272,199,454)
Payments for operating expenses	**(9,863,578)**	(9,706,008)
Payments to employees	**(3,556,197)**	(3,310,059)
Payments for federal housing programs	**(24,706,483)**	(24,049,941)
Payments for other housing programs	**(13,069,486)**	(5,860,267)
Net Cash Provided by (Used in) Operating Activities	**115,881,642**	(10,539,808)
Cash Flows Used in Noncapital Financing Activities		
Proceeds from sale of bonds	**155,842,130**	368,100,004
Principal paid on bonds	**(392,768,663)**	(321,566,771)
Interest paid on bonds	**(75,350,070)**	(79,646,410)
Bond issuance costs paid	**(932,633)**	(2,636,075)
Net Cash Used in Noncapital Financing Activities	**(313,209,236)**	(35,749,252)
Cash Flows Used in Capital and Related Financing Activities		
Purchase of fixed assets	**(121,688)**	(1,719,814)
Interest paid on capital debt	**(23,520)**	(25,139)
Net Cash Used in Capital and Related Financing Activities	**(145,208)**	(1,744,953)
Cash Flows Provided by Investing Activities		
Purchase of investment securities	**(698,311,191)**	(341,614,382)
Proceeds from sale and maturities of investment securities	**827,943,285**	426,407,907
Interest received on investments	**24,581,194**	25,583,209
Net Cash Provided by Investing Activities	**154,213,288**	110,376,734
Change in Cash and Cash Equivalents	**(43,259,514)**	62,342,721
Cash and Cash Equivalents, Beginning of Year	**284,400,890**	222,058,169
Cash and Cash Equivalents, End of Year	**$ 241,141,376**	$ 284,400,890
Reconciliation of Operating Income to Cash Flows Provided by (Used in) Operating Activities		
Operating income	**$ 16,780,875**	$ 33,311,567
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Interest on bonds payable	**73,148,980**	76,139,199
Net (increase) decrease in fair market value of investments	**6,949,029**	(5,692,898)
Interest from investments	**(22,041,507)**	(24,586,945)
Amortization of deferred financing costs	**2,529,176**	2,734,374
Provision for loan loss	**1,630,015**	2,502,461
Granted loans receivable	**10,769,268**	-
Depreciation	**394,420**	405,434
Changes in assets and liabilities		
Loan interest receivable	**(516,001)**	(1,305,862)
Accounts payable and other liabilities	**(5,108,089)**	(2,289,534)
Mortgage loans receivable	**33,877,516**	(91,525,126)
Other receivables	**373,620**	(247,214)
Other assets	**(731,081)**	852,188
Multifamily escrows and reserves	**(2,174,579)**	(837,452)
Net Cash Provided by (Used in) Operating Activities	**$ 115,881,642**	$ (10,539,808)

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 $277,820,000 for 2011. 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 Program Bonds:

This indenture, established under the Homeownership Mortgage Program 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.

(continued on next page)

Single Family Mortgage Bonds:

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

Multiple Purpose Bonds:

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

Multifamily Housing Revenue Bonds:

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

Multifamily Mortgage Pass-Through Bonds:

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

Housing Development Revenue Bonds:

This indenture, established under the Housing Development Revenue Bond Resolution adopted August 5, 1998, is prescribed for accounting for the proceeds from the sale of Housing Development Revenue Bonds to provide funds for the development and construction of single family homes. The Bonds are special, limited obligations of the Authority, payable solely from revenues and assets held in and receivable by Funds and Accounts established under the Bond Resolution.

Multifamily Risk Sharing Bonds:

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

Note 2 - Significant Accounting Policies:

Basis of Presentation:

The Authority, as a component unit of government, follows standards established by the Governmental Accounting Standards Board (GASB). As required by government accounting standards, these financial statements present the Authority and its component units, entities for which the Authority is considered to be financially accountable. The criteria for inclusion in or exclusion from the financial reporting entity is outlined in GASB Statement 14 amended by GASB 39 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.

(continued on next page)

In accordance with GASB Statement 20, the Authority does not apply all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989.

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.

Investments:

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

Mortgage Loans Receivable:

Loans receivable are carried at their unpaid principal balance, 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.

Some loans receivable contain provisions for the loans to become grants if certain criteria is met. The conversion of loans receivable to grants are 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 other housing programs. Loans receivable includes credits of $10,439,908 and $0 as of June 30, 2011 and 2010, 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.

Guaranteed Mortgage Securities:

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

Fee Income:

Fees collected as reimbursement for costs incurred in developing and implementing the programs of the Authority and for other specific services are recorded as income in the period received. Commitment fees collected in connection with Homeownership and Multifamily mortgages are credited to income as loans are purchased against outstanding commitments. During fiscal year 2011 the Authority stopped charging commitment fees on Homeownership loans purchased. The Authority now performs an operating transfer of 1% of loan purchases to the General Operating Account.

Deferred Financing Costs:

Issuance costs on bonds are amortized, using the bonds outstanding method, over the life of the bonds. The unamortized costs of bonds which are refunded are amortized either over the life of the refunding bonds or the life of the bonds that were refunded, whichever is shorter.

Receivables:

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

(continued on next page)

Bond Premiums and Discounts:

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

Interest Rate Swaps:

During FY 2010, the Authority adopted the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*; whereby, the interest rate swap agreements are recorded at fair value on the Statement of Net Assets. If the swap agreements are effective hedges, an offsetting deferred swap inflow or outflow is recorded on the Statement of Net Assets. If the swap agreements are not effective hedges, the interest expense is increased or decreased by the change in the fair value of the swap agreements. Swap effectiveness is determined using the synthetic instrument method. Since the swap agreements are all effective hedges, there was no effect on net assets for fiscal years 2011 and 2010.

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 plus accrued interest on the loans as of the date the loans become real estate owned. Since substantially all Single Family loans are covered by private mortgage insurance, based on the Authority's past experience, it is anticipated that the Authority will recover substantially all of the unpaid principal balances of the loans through proceeds arising from the sale of such property and certain insurance proceeds. Recoveries for Multi-Family nonperforming loans arise from the sale of such property. Estimates for proceeds considered to be uncollectible are recorded as an allowance for loan loss.

Capital Asset Policy:

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

Inventory:

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

Arbitrage Rebate:

The Authority is limited in the investment yield which it may retain for its own use on the nonmortgage investments for most of its bond issues. Excess arbitrage yields must be rebated to the federal government in accordance with applicable federal tax regulations. The Authority has recorded liabilities in the amount of $2,852,977 and $7,343,524 at June 30, 2011 and 2010, respectively, for arbitrage rebates which are included in accounts payable and other liabilities.

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.

(continued on next page)

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 principal 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, amortization of bond issuance costs, and depreciation and administrative expenses related to administration of the Authority's programs. The Authority does not have nonoperating revenue and expenses for the years ending June 30, 2011 and 2010.

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 Assets:

Net assets are classified in the following three components:

- Invested in Capital Assets, Net of Related Debt – 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 Net Assets – Consists of net assets with constraints placed on their use by (1) external groups, such as creditors or (2) law through enabling legislation.
- Unrestricted – Consists of net assets that do not meet the definition of invested in capital assets or restricted.

Allowance for Loan Loss:

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

Reclassifications:

Certain amounts in the financial statements for the year ending June 30, 2010 have been reclassified for comparative purposes in order to conform with the presentation in the financial statements for the year ending June 30, 2011. The change in the net assets was not affected by these reclassifications.

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, 2011 and 2010, all investments held by the Authority were in compliance with the requirements of the bond resolutions.

(continued on next page)

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, 2011 and 2010, of the Authority's deposits of $1,951,373 (carrying value of $1,612,342) and $2,048,565 (carrying value of $1,681,262), respectively, all were covered by insurance or collateral held in the Authority's name in accordance with the Authority's deposit policy.

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 Fannie Mae (Federal National Mortgage Association), Ginnie Mae (Government National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). Because prepayments of mortgages underlying these securities affect the principal and interest payments received by these securities, these securities are considered highly sensitive to interest rate risk. As of June 30, 2011 and 2010, 17% and 15%, respectively, of the Authority's securities were invested in mortgage pass-through securities. As of June 30, 2011 and 2010, the Authority had investments maturing as follows:

		2011 Investment Maturities (in Years)			
	Fair Value	**Less Than 1**	**1 to 5**	**6 to 10**	**Greater Than 10**
U.S Government obligations	**$ 190,597,027**	**$ 98,719,892**	**$ 66,835,723**	**$ 5,115,350**	**$ 19,926,062**
U.S. Agency obligations	**308,424,879**	**33,854,933**	**139,504,382**	**30,718,373**	**104,347,191**
Money market/mutual funds	**151,729,401**	**151,629,401**	**-**	**100,000**	**-**
Investment agreements	**5,009,165**	**-**	**-**	**-**	**5,009,165**
State obiligations	**6,946,874**	**280,206**	**5,199,980**	**1,466,688**	**-**
Total	**$ 662,707,346**	**$ 284,484,432**	**$ 211,540,085**	**$ 37,400,411**	**$ 129,282,418**

		2010 Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S Government obligations	$ 260,650,960	$ 144,722,866	$ 87,599,364	$ 6,581,813	$ 21,746,917
U.S. Agency obligations	318,178,311	14,910,242	140,297,381	38,817,322	124,153,366
Money market/mutual funds	151,243,460	150,845,968	397,492	-	-
Investment agreements	5,093,416	-	100,000	-	4,993,416
State obiligations	108,777,966	2,201,576	2,935,553	3,249,837	100,391,000
Total	$ 843,944,113	$ 312,680,652	$ 231,329,790	$ 48,648,972	$ 251,284,699

(continued on next page)

At June 30, 2011 and 2010, certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2011			
	Homeownership Mortgage Program Bonds	**Single Family Mortgage Bonds**	**Multiple Purpose Bonds**	**Multifamily Risk Sharing Bonds**
Capital reserve for debt service	**$ 90,738,600**	**$ -**	**$ 5,222,954**	**$ 611,416**
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	**40,424,936**	**-**	**-**	**-**
Debt service reserve	**-**	**7,500,000**	**-**	**-**
Total	**$ 131,163,536**	**$ 7,500,000**	**$ 5,222,954**	**$ 611,416**

	2010			
	Homeownership Mortgage Program Bonds	Single Family Mortgage Bonds	Multiple Purpose Bonds	Multifamily Risk Sharing Bonds
Capital reserve for debt service	$ 100,720,200	$ -	$ 5,222,954	$ 611,416
Mortgage reserve for debt service, bond redemption premiums, and potential for loan losses	45,531,291	-	-	-
Debt service reserve	-	3,000,000	-	-
Total	$ 146,251,491	$ 3,000,000	$ 5,222,954	$ 611,416

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

Moody's Rating	**2011**	2010
Aaa	**$ 451,230,153**	457,072,499
Aa	**7,825,903**	2,479,434
A	**-**	6,504,022
Baa	**400,920**	-
Unrated	**8,507,200**	107,731,538
Total	**$ 467,964,176**	$ 573,787,493

Concentration of Credit Risk: The Authority will minimize Concentration Credit Risk, by diversifying the investment portfolio and reducing the impact of potential losses from any one type of security or issuer. At June 30, 2011, the Authority held 5% or more of their investments with the following issuers: Federal Home Loan Bank (14.70%), Federal National Mortgage Association (18.20%), and Federal Home Loan Mortgage Corporation (9.02%). At June 30, 2010, the following issuers held 5% or more of the Authority's investments: Federal Home Loan Bank (11.83%), Federal National Mortgage Association (10.62%), Federal Home Loan Mortgage Corporation (11.02%), and South Dakota Housing Development Authority (11.92%) (see Note 5).

(continued on next page)

Note 4 - Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	2011	2010
Homeownership Mortgage Program Bonds	**$ 1,205,552,730**	$ 1,403,174,221
Single Family Mortgage Bonds	**233,335,444**	82,232,764
Multiple Purpose Bonds	**33,895,306**	37,895,079
Other (General Operating Account)	**65,436,485**	60,865,340
Total	**$ 1,538,219,965**	$ 1,584,167,404

The above loans are substantially insured by the 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 Program 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 $1,943,207 and $1,430,552 as of June 30, 2011 and 2010, respectively.

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, 2011 and 2010 is $6,675,962 and $5,254,549, respectively.

Note 5 - Bonds Payable:

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

			2011			2010
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
1997 Series C	2012-2018	5.375%	$ -	$ 830	**$ 830**	$ 3,830
1997 Series D	2012-2024	5.375% - 5.4%	-	1,705	**1,705**	6,210
1997 Series E-1	2012-2018	5.3%	-	2,220	**2,220**	7,500
1997 Series E-2	2012-2030	5.25% - 5.3%	-	8,715	**8,715**	28,080
1997 Series E-3	2012-2030	5.25 % - 5.35%	-	2,745	**2,745**	5,740
1998 Series A	2012-2018	5.3%	-	1,010	**1,010**	3,675
2001 Series D	2011-2012	4.8% - 4.9%	-	-	**-**	105
2001 Series F	2026-2030	4.85%	-	15,490	**15,490**	19,030
2002 Series C	2012-2033	4.85% - 5.47%	330	12,850	**13,180**	13,495
2002 Series D	2012-2014	4.65% - 4.85%	3,015	-	**3,015**	5,450
2002 Series E	2023-2025	4.65%	-	-	**-**	260
2002 Series F	2012-2014	4.05% - 4.3%	4,060	-	**4,060**	5,310
2002 Series G	2015-2033	3.95% - 5.3%	-	18,605	**18,605**	28,085
2002 Series H	2012-2014	4.05% - 4.35%	5,425	-	**5,425**	7,405
2002 Series I	2015-2033	3.75% - 5.25%	-	17,985	**17,985**	19,850
2003 Series A	2012-2023	3.85% - 4.75%	5,870	1,455	**7,325**	8,370
2003 Series B	2023-2034	4.95% - 5.05%	-	23,535	**23,535**	24,945
2003 Series C-1	2032	0.10% (2)	-	26,500	**26,500**	26,500
2003 Series C-2	2032	0.10% (2)	-	26,400	**26,400**	26,400
2003 Series D	2012-2022	3.65% - 4.8%	2,985	3,515	**6,500**	7,430
2003 Series E	2021-2028	5.0%	-	1,255	**1,255**	2,950
2003 Series F	2034	0.10% (2)	-	20,000	**20,000**	20,000
2003 Series G	2012-2017	3.95% - 4.55%	7,065	5,080	**12,145**	13,895
2003 Series H	2017-2028	4.85% - 5%	-	12,685	**12,685**	15,750
2003 Series I	2034	0.10% (2)	-	28,000	**28,000**	28,000
2004 Series A	2012-2017	4.1% - 4.7%	14,610	-	**14,610**	16,715
2004 Series B	2021-2027	4.95% - 5%	-	9,750	**9,750**	13,340
2004 Series C	2034	0.10% (2)	-	34,000	**34,000**	34,000
2004 Series D	2032	0.09% (2)	-	11,890	**11,890**	11,890
2004 Series E	2012-2017	3.6% - 4.25%	14,660	-	**14,660**	16,805
2004 Series F	2017-2028	4.6% - 5.25%	-	15,825	**15,825**	20,945
2004 Series G	2034	0.11% (2)	-	33,000	**33,000**	33,000

(continued on next page)

			2011			2010
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
2005 Series A	2012-2018	3.70% - 4.2%	16,795	-	**16,795**	18,870
2005 Series B	2018-2027	4.5% - 5.25%	-	8,010	**8,010**	12,530
2005 Series C	2027-2035	0.10% (2)	-	41,000	**41,000**	41,000
2005 Series D	2031	0.09% (2)	-	6,925	**6,925**	6,925
2005 Series E	2012-2018	3.65% - 4.1%	17,125	-	**17,125**	19,230
2005 Series F	2027-2030	4.6% - 5.0%	-	29,210	**29,210**	33,580
2005 Series G	2030-2035	0.08% (2)	-	25,000	**25,000**	25,000
2005 Series J	2012-2018	3.95% - 4.6%	27,695	-	**27,695**	30,575
2005 Series K	2019-2036	4.9% - 5.75%	-	87,620	**87,620**	92,535
2006 Series A	2012-2019	3.9% - 4.5%	23,245	-	**23,245**	25,630
2006 Series B	2019-2031	4.9% - 6%	-	40,535	**40,535**	45,270
2006 Series C	2037	0.08% (2)	-	45,000	**45,000**	45,000
2006 Series D	2013-2019	3.7% - 4.0%	17,055	-	**17,055**	17,055
2006 Series E	2012-2036	4.0% - 5.75%	2,075	63,850	**65,925**	70,935
2006 A Drawdown	2045	1.50% (2) (3)	-	-	**-**	765
2006 A-3 Drawdown	2045	1.52% (2) (3)	-	-	**-**	5,578
2006 A-6 Drawdown	2045	1.52% (2) (3)	-	-	**-**	1,192
2006 A-7 Drawdown	2045	1.52% (2) (3)	-	-	**-**	8,725
2006 A-8 Drawdown	2045	1.52% (2) (3)	-	-	**-**	7,985
2006 A-9 Drawdown	2045	1.52% (2) (3)	-	-	**-**	22,875
2006A-10 Drawdown	2045	1.52% (2) (3)	-	-	**-**	9,975
2006A-11 Drawdown	2045	1.52% (2) (3)	-	-	**-**	9,610
2006A-12 Drawdown	2045	1.52% (2) (3)	-	-	**-**	5,381
2006A-13 Drawdown	2045	1.52% (2) (3)	-	-	**-**	28,305
2007 Series A	2013-2019	3.85% - 4.2%	14,105	-	**14,105**	14,105
2007 Series B	2012-2037	4.0% - 5.5%	3,985	65,850	**69,835**	75,335
2007 Series D	2013-2018	3.95% - 4.35%	12,920	-	**12,920**	12,920
2007 Series E	2012-2037	4.05% - 5.75%	3,015	66,610	**69,625**	76,230
2007 Series G	2014-2018	3.75% - 4.2%	7,970	-	**7,970**	7,970
2007 Series H	2012-2037	4.00% - 5.5%	5,130	40,645	**45,775**	51,095
2007 Series I	2026-2038	0.08% (2)	-	34,000	**34,000**	34,000
2008 Series A	2016-2018	4.0% - 4.375%	7,255	-	**7,255**	7,255
2008 Series B	2012-2028	4.25% - 5.75%	11,050	3,845	**14,895**	39,715
2008 Series C	2028-2039	0.09% (2)	50,000	-	**50,000**	50,000
2008 Series D	2012-2019	3.3% - 4.45%	15,035	-	**15,035**	16,555
2008 Series E	2023-2038	5.375% - 6.0%	-	24,365	**24,365**	45,685
2008 Series F	2027-2039	0.08% (2)	-	34,000	**34,000**	34,000
2008 Series G	2012-2038	4.1% - 6.25%	19,000	4,070	**23,070**	48,500
2009 Series A	2039	0.06% (2)	-	48,525	**48,525**	49,265
2009 Series B	2012-2027	1.6% - 5.0%	35,415	15,265	**50,680**	52,775
2009 Series C	2027-2039	0.05% (2)	22,000	-	**22,000**	22,000
Plus unamortized premium					**9,978**	11,327
Less unamortized loss of refunding					**(845)**	(940)
Total Homeownership Mortgage Program Bonds					**$ 1,397,393**	$ 1,707,278

(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.
(3) Drawdown bonds discussed below.

The Single Family Drawdown Revenue Bonds are issued for the purpose of the replacement refunding of existing bond issues to provide funds for the purchase of new single family loans. These bonds are subject to periodic conversion to long-term bonds. On October 31, 2008, the Authority purchased $113 million, or 100% of the Authority's outstanding Single Family Drawdown Revenue Bonds, at a purchase price of par. This was allowable per Internal Revenue Service Notice 2010-7, which modified Notice 2008-88, and provided temporary rules for state and local governmental issuers to purchase and hold until December 31, 2010 their own tax-exempt bonds. The Authority ended up calling these bonds by December 31, 2010. The $100 million as of June 30, 2010 was recorded as an asset (investment) and liability (bond payable) on our 2010 financial statements.

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 have accelerated principal payments over various terms of years, as set forth in each such agreement.

(continued on next page)

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):

			2011			2010
					Total	Total
Bond Issue	Maturity Date	Interest Rate	Serial	Term (1)	Outstanding	Outstanding
2010-1/2009-1A	2012-2041	3.425% - 4.24%	$ -	$ 98,545	**$ 98,545**	$ 100,000
2009 Series 1	2012	1.00%	-	88,100	**88,100**	133,100
2010-2/2009 1-B	2011-2041	.62%-4.5%	18,845	55,135	**73,980**	-
Drawdown 2010A-5	2011	0.75% (2)	-	10,750	**10,750**	-
Drawdown 2010A-6	2011	0.75% (2)	-	5,850	**5,850**	-
Drawdown 2010A-7	2011	0.75% (2)	-	7,850	**7,850**	-
Drawdown 2010A-8	2011	0.75% (2)	-	8,600	**8,600**	-
Drawdown 2010A-9	2011	0.75% (2)	-	13,850	**13,850**	-
Plus unamortized premium					**448**	-
Total Single Family Mortgage Bonds					**$ 307,973**	$ 233,100

(1) Term bonds are subject to mandatory redemption from mandatory sinking fund installments.
(2) Warehousing bonds discussed below.

In December 2009, the Authority issued Single Family Mortgage Bonds 2009 Series 1 in the amount of $193,100,000. The bonds are limited obligations of the Authority secured by program obligations and by amounts on deposit in the Series 2009 1 Escrow Account. These bonds were issued and sold to the United States Treasury under the federal New Issue Bond Program. The proceeds of the bonds will be held in an escrow account until the short-term interest rate on the bonds is converted into a long-term fixed rate with the proceeds being used to buy mortgages. If the bonds have not been converted by December 31, 2011, they are subject to mandatory redemption on February 1, 2012. As of June 30, 2011, $105,000,000 of the short-term rate bonds from the New Issue Bond Program have been converted to long-term rate bonds. The outstanding balance of these short-term bonds as of June 30, 2011 and 2010 was $88,100,000 and $133,100,000, respectively.

The Authority and Citibank, N.A. entered into a transaction on June 29, 2010, whereby Citibank, N.A., agreed to purchase up to $230,000,000 of the Authority's Single Family Mortgage Warehousing Bonds ("Warehousing Bonds"), the proceeds of which will be used by the Authority to provide warehouse financing for Mortgage Loans prior to such Mortgage Loans being permanently financed by the issuance of Bonds pursuant to the Single Family Mortgage Bond Resolution. No more than $115,000,000 of such Warehousing Bonds may be outstanding at any time, any such Warehousing Bonds mature 180 days after their date of issuance, but not later than December 31, 2011 (or March 31, 2012 in certain cases), and such Warehousing Bonds bear interest on a monthly basis equal to LIBOR plus 0.50%. Such Warehousing Bonds are general obligations of the Authority, secured by a pledge of any Mortgage Loans while financed thereunder. During 2011, the Authority issued $80,375,000 and repaid $33,475,000 of the Warehousing Bonds. The outstanding balance of these short-term bonds as of June 30, 2011 and 2010 was $46,900,000 and $0, respectively.

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

			2011			2010
					Total	Total
Bond Issue	Maturity Date	Interest Rate	Serial	Term (1)	Outstanding	Outstanding
2002 Series A	2011-2020	4.4% - 5.15%	$ 2,930	$ 15,565	**$ 18,495**	$ 19,910
2002 Series B	2011-2021	4.0% - 5.1%	4,400	6,040	**10,440**	11,500
2008 Series A	2011-2048	2.0%	-	7,240	**7,240**	7,320
2009 Series A	2011-2048	0.17% (2)	-	6,600	**6,600**	6,650
Less unamortized loss on refunding					**(636)**	(702)
Total Multiple Purpose Bonds					**$ 42,139**	$ 44,678

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

(continued on next page)

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

			2011			2010
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 2001	2031	0.10%	$ -	$ 6,495	**$ 6,495**	$ 6,495
Series 2001	2034	0.13%	-	13,000	**13,000**	13,000
Series 2002 A	2011-2033	4.05% - 5.35%	105	2,160	**2,265**	2,315
Series 2004 A	2011-2033	6.15%	2,917	-	**2,917**	2,976
Country Meadow	2044	0.10% (2)	-	4,920	**4,920**	4,920
Total Multifamily Housing Revenue Bonds					**$ 29,597**	$ 29,706

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

(2) Variable rate adjusted weekly based on the current market rate for similar tax exempt bonds.

Multifamily Mortgage Pass-Through Bonds require monthly principal payments. Multifamily Mortgage Pass-Through Bonds outstanding at June 30 are (in thousands):

			2011		2010
Bond Issue	**Maturity Date**	**Interest Rate**	**Term**	**Total Outstanding**	Total Outstanding
1996 Series B	2011-2012	3.75%	1,278	**$ 1,278**	$ 1,308
Series 1999-1	2011-2015	4.0%	1,190	**1,190**	1,225
Series 1999-2	2011-2015	6.0%	1,275	**1,275**	1,321
Series 1999-3	2011-2015	6.0%	1,399	**1,399**	1,439
Series 2000-1	2011-2015	7.5%	713	**713**	730
Series 2002-1	2011-2017	7.0%	3,773	**3,773**	3,864
Total Multifamily Mortgage Pass-Through Bonds				**$ 9,628**	$ 9,887

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

			2011			2010
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 1999	2011-2040	5.75% - 5.8%	$ -	$ 2,940	**$ 2,940**	$ 2,975
Series 2000	2012-2032	5.85%	-	2,915	**2,915**	3,025
Series 2001	2012-2043	5.35%	-	7,300	**7,300**	7,370
Total Multifamily Risk Sharing Bonds					**$ 13,155**	$ 13,370
Total Bonds Outstanding					**$ 1,799,885**	$ 2,038,019

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

Following are the schedules of changes in bonds payable for the fiscal years ended June 30, 2011 and 2010:

	Balance July 1, 2010	**Additions**	**Deductions**	**Balance June 30, 2011**	**Amounts Due Within One Year**
Homeownership Mortgage Program Bonds	**$ 1,696,891,000**	**$ -**	**$ 308,631,000**	**$ 1,388,260,000**	**$ 44,455,000**
Single Family Mortgage Bonds	**233,100,000**	**155,375,000**	**80,950,000**	**307,525,000**	**138,040,000**
Multifamily Housing Trust Bonds	**45,380,000**	**-**	**2,605,000**	**42,775,000**	**2,715,000**
Multifamily Housing Revenue Bonds	**29,706,411**	**-**	**108,976**	**29,597,435**	**112,659**
Multifamily Mortgage Pass-Through Bonds	**9,886,449**	**-**	**258,688**	**9,627,761**	**274,086**
Multifamily Risk Sharing Bonds	**13,370,000**	**-**	**215,000**	**13,155,000**	**180,000**
Deferred Premium/Discount	**11,326,913**	**467,130**	**1,368,363**	**10,425,680**	**-**
Deferred Loss on Refunding	**(1,642,056)**	**161,714**	**-**	**(1,480,342)**	-
	$ 2,038,018,717	**$ 156,003,844**	**$ 394,137,027**	**$ 1,799,885,534**	**$ 185,776,745**

(continued on next page)

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Amounts Due Within One Year
Homeownership Mortgage Program Bonds	$ 1,878,508,000	$ 75,000,000	$ 256,617,000	$ 1,696,891,000	$ 41,060,000
Single Family Mortgage Bonds	-	293,100,000	60,000,000	233,100,000	134,180,000
Multifamily Housing Trust Bonds	47,900,000	-	2,520,000	45,380,000	2,605,000
Multifamily Housing Revenue Bonds	29,806,921	-	100,510	29,706,411	108,976
Multifamily Mortgage Pass-Through Bonds	11,980,707	-	2,094,261	9,886,446	258,687
Multifamily Risk Sharing Bonds	13,605,000	-	235,000	13,370,000	215,000
Deferred Premium/Discount	13,354,455	81,611	2,109,153	11,326,913	-
Deferred Loss on Refunding	(1,803,771)	161,715	-	(1,642,056)	-
	$ 1,993,351,312	$ 368,343,326	$ 323,675,924	$ 2,038,018,714	$ 178,427,663

Short-term debt is included in the above table with $135 million and $133.1 million of short-term debt outstanding at June 30, 2011 and 2010, respectively.

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

Year Ended	Homeownership Motgage Program Bonds		Single Family Mortgage Bonds		Multiple Purpose Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 44,455,000	$ 58,825,896	$ 138,040,000	$ 5,399,621	$ 2,715,000	$ 1,526,077
2013	45,900,000	57,294,562	3,130,000	5,125,984	3,655,000	1,411,054
2014	46,255,000	55,553,411	3,220,000	5,061,804	3,160,000	1,258,733
2015	45,250,000	53,702,326	3,325,000	5,000,738	3,150,000	1,120,906
2016	46,650,000	51,972,033	3,440,000	4,872,258	2,845,000	977,653
2017-2021	211,580,000	229,457,875	19,260,000	22,775,339	14,570,000	2,693,161
2022-2026	191,120,000	182,516,340	23,595,000	19,139,991	1,700,000	654,436
2027-2031	201,705,000	138,325,417	29,410,000	14,488,956	1,520,000	560,752
2032-2036	478,265,000	65,352,632	37,065,000	9,673,722	1,950,000	460,615
2037-2041	77,080,000	4,214,700	43,440,000	3,688,342	2,520,000	335,983
2042-2046	-	-	3,600,000	42,325	3,230,000	181,322
2047-2051	-	-	-	-	1,760,000	21,302
Total	$ 1,388,260,000	$ 897,215,192	$ 307,525,000	$ 95,269,080	$ 42,775,000	$ 11,201,994

Year Ended	Multifamily Housing Revenue Bonds		Multifamily Mortgage Pass-Through Bonds		Multifamily Risk Sharing Bonds	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 112,659	$ 325,209	$ 274,086	$ 545,205	$ 180,000	$ 729,807
2013	121,571	318,707	1,505,416	494,343	190,000	719,693
2014	125,729	312,000	274,748	471,500	205,000	708,874
2015	135,145	304,564	4,235,532	342,775	215,000	697,351
2016	144,838	296,626	129,048	229,570	230,000	685,125
2017-2021	855,496	1,346,485	3,208,931	167,575	1,375,000	3,214,840
2022-2026	1,145,464	1,062,415	-	-	1,860,000	2,774,680
2027-2031	8,010,556	680,016	-	-	2,515,000	2,178,692
2032-2036	14,025,977	170,334	-	-	2,435,000	1,433,825
2037-2041	-	24,600	-	-	2,775,000	763,318
2042-2046	4,920,000	12,710	-	-	1,175,000	101,382
	$ 29,597,435	$ 4,853,666	$ 9,627,761	$ 2,250,968	$ 13,155,000	$ 14,007,587

Note 6 - 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.

(continued on next page)

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2011 and 2010, are contained in the table below. The initial notional amounts of the swaps match the initial principal amounts of the associated debt. 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	Fixed Rate	Variable Rate Receivable	Counterparty Credit Rating*	Fair Value June 30, 2011	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2011	Fair Value June 30, 2010	Increase (Decrease) in Fair Value for the Fiscal Year Ended June 30, 2010
Merrill Lynch Capital Services									
2003 C-1	$ 26,500,000	6/18/2004 5/1/2013	3.40%	57% of LIBOR plus 0.42%	A2	**$ (1,403,480)**	$ 313,733	$ (1,717,213)	$ (169,479)
2005 D	6,925,000	4/13/2005 5/1/20015	3.29%	57.3% of LIBOR plus 0.40%	A2	**(561,271)**	19,722	(580,993)	(165,090)
2007 I	34,000,000	10/16/2007 5/1/2038	4.14%	63.8% of LIBOR plus 0.30%	A2	**(3,403,983)**	573,158	(3,977,141)	(1,111,914)
JPMorgan Chase Bank, N.A.									
2004 G	33,000,000	10/20/2004 5/1/2034	3.90%	63.4% of LIBOR plus 0.29%	Aa1	**(1,910,239)**	423,034	(2,333,273)	(690,187)
2005 C	41,000,000	4/13/2005 5/1/2035	3.93%	63.3% of LIBOR plus 0.30%	Aa1	**(2,658,779)**	556,361	(3,215,140)	(911,571)
2008 F	34,000,000	9/4/2008 5/3/2039	3.85%	63.7% of LIBOR plus 0.31%	Aa1	**(2,623,690)**	659,651	(3,283,341)	(1,024,043)
The Bank of New York, Mellon, N.A. (Novated from UBS on 7/22/2010)									
2003 F	13,000,000	6/21/2005 5/1/2034	3.76%	63.8% of LIBOR plus 0.29%	Aaa	**(493,696)**	167,989	(661,685)	(276,228)
2003 I	28,000,000	6/21/2005 5/1/2034	3.76%	63.8% of LIBOR plus 0.29%	Aaa	**(1,050,928)**	367,782	(1,418,710)	(579,038)
2004 C	34,000,000	6/21/2005 5/1/2034	3.75%	63.8% of LIBOR plus 0.29%	Aaa	**(1,415,722)**	435,716	(1,851,438)	(758,965)
Bank of America, N.A.									
2009 C	22,000,000	11/18/2009 5/1/2039	3.14%	64% of LIBOR plus 0.22%	Aa3	**(307,998)**	500,025	(808,023)	(808,023)
Merrill Lynch Derivative Products, AG									
2005 G	25,000,000	7/19/2005 5/1/2035	3.77%	63.8% of LIBOR plus 0.29%	Aa3	**(1,314,826)**	357,688	(1,672,514)	(812,330)
2006 C	45,000,000	6/14/2006 5/1/2037	4.42%	64% of LIBOR plus 0.29%	Aa3	**(4,755,398)**	662,258	(5,417,656)	(1,235,212)
2008 C	46,090,000	3/26/2008 5/1/2039	3.42%	63.7% of LIBOR plus 0.30%	Aa3	**(1,787,420)**	805,688	(2,593,110)	(1,386,544)
MPB 2008 A	7,240,000	8/2/2008 5/1/2048	3.55%	63.8% of LIBOR plus 0.20%	Aa3	**(437,289)**	139,373	(576,662)	(261,088)
	$ 395,755,000					**$ (24,124,719)**		$ (30,106,899)	

**Moody's Investor Service*

Fair Value:

The valuation was determined by calculating the difference between the present values of each fixed cash flow to be paid and each floating cash flow to be received by the Authority based upon the current market yield curve. The present value factors for each cash flow are based on the implied zero coupon yield curve determined by current market rates. Additionally, the values of the call options are determined by calculating the present value of each predicted option outcome, whose interest rate prediction variance is determined by current market implied volatility. Together these calculations 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, 2011 and 2010. 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.

(continued on next page)

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 to 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, 2011 and 2010, 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 LIBOR rate. Basis risk will vary over time due to inter-market conditions. For the years ended June 30, 2011 and 2010, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 1.970% and 2.25% per annum, respectively, while the weighted average interest rate on the swaps was 1.931% and 2.173% 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 notional amount of swaps with a single counterparty will not exceed $150,000,000.

(continued on next page)

Swap Payments and Associated Debt: As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2011:

Year Ended	Variable Rate Bond		Interest Rate	
June 30	Principal	Interest	Swap - Net	Total
2012	$ 80,000	$ 365,303	$ 13,493,357	$ 13,938,660
2013	90,000	365,146	13,363,744	13,818,890
2014	90,000	364,975	12,726,107	13,181,082
2015	95,000	364,804	12,723,196	13,183,000
2016	100,000	364,619	12,720,044	13,184,663
2017-2021	555,000	1,820,114	62,746,323	65,121,437
2022-2026	695,000	1,814,243	62,485,763	64,995,006
2027-2031	57,025,000	1,727,043	59,179,563	117,931,606
2032-2036	285,070,000	1,185,540	40,362,551	326,618,091
2037-2041	49,615,000	96,688	3,256,422	52,968,110
2042-2046	1,600,000	16,407	279,223	1,895,630
2047-2051	740,000	2,076	35,327	777,403
	$ 395,755,000	$ 8,486,958	$ 293,371,620	$ 697,613,578

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 is exposed to rollover risk on the following debt:

Bond Series	Debt Maturity Date	Swap Termination Date
2003 C-1	May 1, 2032	May 1, 2013
2005 D	May 1, 2031	May 1, 2015

Note 7 - Net Assets:

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 assets 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.

(continued on next page)

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:

	2011	2010
Bond and notes reserve	**$ 4,346,400**	$ 4,017,218
Program operations reserve	**2,497,954**	2,278,921
Total	**$ 6,844,354**	$ 6,296,139

Note 8 - Commitments:

As of June 30, 2011, the Authority had the following Homeownership Mortgage Program Bond commitments:

- Commitments to purchase Homeownership mortgage loans aggregating $35,240,332.

Note 9 - Segment Information:

The Authority issues bonds to finance the purchase of single family homes and multifamily developments. The bond programs are accounted for in a single enterprise fund, but investors in those bonds rely on the revenue generated by the activities within the individual bond indentures. Summary financial information as of and for the year ended June 30, 2011 and 2010, for the Homeownership Mortgage Program Bonds, Single Family Mortgage Bonds and the Multiple Family Housing Trust Bonds follows:

	2011			2010		
	Homeownership Mortgage Program Bonds	**Single Family Mortgage Bonds**	**Multifamily Housing Trust Bonds**	Homeownership Mortgage Program Bonds	Single Family Mortgage Bonds	Multifamily Housing Trust Bonds
Condensed Statement of Net Assets						
Assets						
Interfund receivables (payables)	**$ 41,470,234**	**$ (28,938,654)**	**$ (83,372)**	$ 14,831,743	$ (3,265,693)	$ (671,745)
Other current assets	**225,088,332**	**112,185,276**	**27,316,005**	244,917,247	158,612,683	21,699,501
Noncurrent assets	**1,498,991,387**	**228,900,819**	**72,442,414**	1,817,831,090	79,586,186	80,241,167
Total Assets	**$ 1,765,549,953**	**$ 312,147,441**	**$ 99,675,047**	$ 2,077,580,080	$ 234,933,176	$ 101,268,923
Liabilities and Net Assets						
Current liabilities	**$ 54,476,277**	**$ 139,007,895**	**$ 2,979,267**	$ 82,707,110	$ 134,267,626	$ 3,464,590
Noncurrent liabilities	**1,379,478,132**	**169,933,304**	**39,861,598**	1,673,561,542	98,920,000	42,072,839
Total Liabilities	**1,433,954,409**	**308,941,199**	**42,840,865**	1,756,268,652	233,187,626	45,537,429
Net Assets						
Invested in capital assets, net of related debt	**-**	**-**	**(829,310)**	-	-	-
Restricted by bond indentures	**331,595,544**	**3,206,242**	**57,663,492**	321,311,428	1,745,550	55,731,494
Total Liabilities and Net Assets	**$ 1,765,549,953**	**$ 312,147,441**	**$ 99,675,047**	$ 2,077,580,080	$ 234,933,176	$ 101,268,923
Condensed Statement of Revenues, Expenses, and Changes in Net Assets						
Operating revenues	**$ 80,244,387**	**$ 7,895,212**	**$ 3,900,824**	$ 102,007,719	$ 1,905,756	$ 5,100,613
Operating expenses	**69,920,682**	**5,627,936**	**2,798,136**	80,305,217	160,206	3,000,370
Operating income	**10,323,705**	**2,267,276**	**1,102,688**	21,702,502	1,745,550	2,100,243
Transfers in (out)	**(39,589)**	**(806,584)**	**-**	-	-	-
Change in net assets	**10,284,116**	**1,460,692**	**1,102,688**	21,702,502	1,745,550	2,100,243
Beginning net assets	**321,311,428**	**1,745,550**	**55,731,494**	299,608,926	-	53,631,251
Ending net assets	**$ 331,595,544**	**$ 3,206,242**	**$ 56,834,182**	$ 321,311,428	$ 1,745,550	$ 55,731,494
Condensed Statement of Cash Flows						
Net cash provided (used) by:						
Operating activities	**$ 231,971,632**	**$ (118,805,724)**	**$ 5,389,449**	$ 67,826,309	$ (77,409,752)	$ 2,337,124
Noncapital financing activities	**(376,609,179)**	**69,348,653**	**(4,531,110)**	(258,671,693)	231,612,478	(4,329,277)
Capital and related financing activities	**-**	**-**	**(33,952)**	-	-	(1,691,587)
Investing activities	**154,685,027**	**(5,065,575)**	**(1,099,811)**	103,421,962	64,647	(151,480)
Net change	**10,047,480**	**(54,522,646)**	**(275,424)**	(87,423,422)	154,267,373	(3,835,220)
Beginning cash and cash equivalents	**121,925,628**	**154,267,373**	**3,019,717**	209,349,050	-	6,854,937
Ending cash and cash equivalents	**$ 131,973,108**	**$ 99,744,727**	**$ 2,744,293**	$ 121,925,628	$ 154,267,373	$ 3,019,717

(continued on next page)

Note 10 - Pension Plan:

Plan Description:

The Authority contributes to the South Dakota Retirement System (SDRS), a cost sharing multiple employer defined benefit pension plan. SDRS provides retirement, disability and survivor benefits to plan members and beneficiaries. SDCL Chapter 3-12 outlines the benefits and provisions of the plan.

Plan Administration:

Administration of the plan is assigned to the Board of Trustees of SDRS. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information for SDRS. Their financial report may be obtained by writing directly to South Dakota Retirement System, P.O. Box 1098, Pierre, SD 57501, or by calling SDRS at (605) 773-3731.

Funding Policy:

Plan members are required to contribute 6% of their annual covered salary and the Authority is required to match an additional 6%. These rates are based on actuarial determinations to provide a contribution requirement equal to the contributions made. The contribution requirements are established and may be amended by the SDRS Board of Trustees. The Authority's contributions to SDRS were $170,633, $175,477, and $164,913 for the years ended June 30, 2011, 2010, and 2009, respectively.

Note 11 - 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 12 - 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, 2011 and 2010, the Authority managed its risks as follows:

The Authority purchased, from a commercial carrier, health insurance for its employees; liability insurance for risks related to torts, theft or damage of property, errors and omissions of public officials; and liability insurance for workmen's compensation. The Authority provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

(continued on next page)

Note 13 - Capital Assets

	Beginning Balance July 1, 2010	Increase	Decrease	Ending Balance June 30, 2011
Capital assets not depreciated				
Land	**$ 220,409**	**$ -**	**$ -**	**$ 220,409**
Total capital assets not depreciated	**220,409**	**-**	**-**	**220,409**
Capital assets depreciated				
Buildings	**4,949,532**	**-**	**-**	**4,949,532**
Land improvements	**1,210,115**	**-**	**-**	**1,210,115**
Furniture and equipment	**3,356,882**	**113,312**	**90,472**	**3,379,722**
Total capital assets depreciated	**9,516,529**	**113,312**	**90,472**	**9,539,369**
Total capital assets	**9,736,938**	**113,312**	**90,472**	**9,759,778**
Less accumulated depreciation for:				
Buildings	**208,241**	**125,733**	**-**	**333,974**
Land improvements	**373,642**	**57,035**	**-**	**430,677**
Furniture and equipment	**2,325,093**	**211,305**	**90,472**	**2,445,926**
Total accumulated depreciation	**2,906,976**	**394,073**	**90,472**	**3,210,577**
Capital assets, net	**$ 6,829,962**	**$ (280,761)**	**$ -**	**$ 6,549,201**

	Beginning Balance July 1, 2009	Increase	Decrease	Ending Balance June 30, 2010
Capital assets not depreciated				
Land	$ 220,409	$ -	$ -	$ 220,409
Total capital assets not depreciated	220,409	-	-	220,409
Capital assets depreciated				
Buildings	4,478,300	471,232	-	4,949,532
Land improvements	1,099,511	110,604	-	1,210,115
Furniture and equipment	3,226,933	214,925	84,976	3,356,882
Total capital assets depreciated	8,804,744	796,761	84,976	9,516,529
Total capital assets	9,025,153	796,761	84,976	9,736,938
Less accumulated depreciation for:				
Buildings	82,508	125,736	3	208,241
Land improvements	316,881	56,761	-	373,642
Furniture and equipment	2,187,127	222,937	84,971	2,325,093
Total accumulated depreciation	2,586,516	405,434	84,974	2,906,976
Capital assets, net	$ 6,438,637	$ 391,327	$ 2	$ 6,829,962

(continued on next page)

Note 14 - Accounts Payable and Other Accruals:

Payables at June 30, 2011 and 2010 were as follows:

	2011	2010
Accounts Payable		
Contractual	$ 153,381	$ 61,554
Travel/moving costs	17,089	34,435
Office	15,952	8,179
Marketing	46,212	64,609
Maintenance	23,227	12,232
Capital assets	-	8,028
Deferred financing costs	5,402	483,848
General	1,355	1,334
FICA	-	26,717
Prepaid sales	132,735	133,449
Excise tax	8,471	21,290
Materials/tools	77,111	143,424
Total accounts payable	480,935	999,099
Arbitrage rebate	2,852,977	7,343,524
Accrued vacation	512,917	363,695
Accrued salaries	120,431	123,265
Employee withholdings	150	21,111
EMAP payable	41,398	252,107
Servicing fee	300,103	314,199
Estes Park	98,796	98,796
Total accounts payable and other accruals	4,407,707	9,515,796
Current liabilities	(1,554,730)	(2,172,272)
Noncurrent liabilities	$ 2,852,977	$ 7,343,524

Note 15 - Subsequent Events:

On July 14, 2011, the Authority issued $30,000,000 of Single Family Mortgage Bonds 2011 Series 1 and $45,000,000 of Single Family Mortgage Bonds 2009 Series 1-C. The bonds will mature May 1, 2012 through November 1, 2041.

On October 20, 2011 the Authority issued $100,000,000 of Single Family Mortgage Bonds 2011 Series 2. The bonds will mature on May 1, 2012 through November 1, 2041. This will be the last bond issued under the Single Family Mortgage Bonds Program.

# # # # #

Supplementary Information
June 30, 2011 and 2010

South Dakota Housing Development Authority

Supplemental Schedule of Net Assets — *As of June 30, 2011*

Assets	General Operating Account	Homeownership Mortgage Program Bonds	Single Family Mortgage Bonds	Multifamily Housing Trust Bonds	Multifamily Housing Revenue Bonds	Multifamily Mortgage Pass-Through Bonds	Multifamily Risk Sharing Bonds	Combined Total
Current Assets								
Cash and cash equivalents	$ 4,855,252	$ 131,973,108	$ 99,744,727	$ 2,744,293	$ 1,415,785	$ -	$ 408,211	**$ 241,141,376**
Investment in securities	836,883	25,140,223	-	18,882,174	96,997	-	-	**44,956,277**
Mortgage loans receivable, net	2,806,686	58,867,525	11,666,772	4,828,164	-	-	-	**78,169,147**
Guaranteed mortgage securities	-	-	-	-	370,206	274,086	173,552	**817,844**
Interest receivable	492,613	9,107,476	773,777	861,374	5,074	-	74,323	**11,314,637**
Other receivables	556,770	-	-	-	-	-	-	**556,770**
Other assets	2,100,677	-	-	-	-	-	-	**2,100,677**
Total Current Assets	11,648,881	225,088,332	112,185,276	27,316,005	1,888,062	274,086	656,086	**379,056,728**
Noncurrent Assets								
Investment in securities	18,127,551	317,095,384	5,244,742	36,792,246	342,876	-	619,237	**378,222,036**
Mortgage loans receivable, net	62,629,799	1,146,685,205	221,668,672	29,067,142	-	-	-	**1,460,050,818**
Guaranteed mortgage securities	-	-	-	-	27,883,691	9,353,675	12,494,261	**49,731,627**
Other receivables	-	1,484,327	-	-	-	-	-	**1,484,327**
Furniture and equipment, net	285,655	-	-	648,141	-	-	-	**933,796**
Building, net	174,579	-	-	4,440,979	-	-	-	**4,615,558**
Land Improvement, net	97,868	-	-	681,570	-	-	-	**779,438**
Land	220,409	-	-	-	-	-	-	**220,409**
Deferred swap outflow	-	23,687,430	-	437,289	-	-	-	**24,124,719**
Deferred financing costs, net	-	10,039,041	1,987,405	375,047	129,701	-	-	**12,531,194**
Due from (to) other funds	(12,434,208)	41,470,234	(28,938,654)	(83,372)	(9,000)	-	(5,000)	**-**
Total Noncurrent Assets	69,101,653	1,540,461,621	199,962,165	72,359,042	28,347,268	9,353,675	13,108,498	**1,932,693,922**
Total Assets	80,750,534	1,765,549,953	312,147,441	99,675,047	30,235,330	9,627,761	13,764,584	**2,311,750,650**
Liabilities								
Current Liabilities								
Bonds payable	-	44,455,000	138,040,000	2,715,000	112,659	274,086	180,000	**185,776,745**
Accrued interest payable	-	9,734,150	913,521	264,267	126,157	-	221,085	**11,259,180**
Accounts payable and other liabilities	1,114,433	287,127	54,374	-	-	-	98,796	**1,554,730**
Multifamily escrows and reserves	17,529,856	-	-	-	254,858	-	132,680	**17,917,394**
Total Current Liabilities	18,644,289	54,476,277	139,007,895	2,979,267	493,674	274,086	632,561	**216,508,049**
Noncurrent Liabilities								
Bonds payable	-	1,352,937,725	169,933,304	39,424,309	29,484,776	9,353,675	12,975,000	**1,614,108,789**
Accounts payable and other liabilities	-	2,852,977	-	-	-	-	-	**2,852,977**
Fair value of interest rate swap agreements	-	23,687,430	-	437,289	-	-	-	**24,124,719**
Total Noncurrent Liabilities	-	1,379,478,132	169,933,304	39,861,598	29,484,776	9,353,675	12,975,000	**1,641,086,485**
Total Liabilities	18,644,289	1,433,954,409	308,941,199	42,840,865	29,978,450	9,627,761	13,607,561	**1,857,594,534**
Net Assets								
Invested in capital assets, net of related debt	778,511	-	-	(829,310)	-	-	-	**(50,799)**
Restricted by bond indentures	6,025,365	331,595,544	3,206,242	57,663,492	256,880	-	157,023	**398,904,546**
Restricted by HOME and NSP Program	55,302,369	-	-	-	-	-	-	**55,302,369**
Total Net Assets	$ 62,106,245	$ 331,595,544	$ 3,206,242	$ 56,834,182	$ 256,880	$ -	$ 157,023	**$ 454,156,116**

Operating Revenues	General Operating Account	Homeownership Mortgage Program Bonds	Single Family Mortgage Bonds	Multifamily Housing Trust Bonds	Multifamily Housing Revenue Bonds	Multifamily Mortgage Pass-Through Bonds	Multifamily Risk Sharing Bonds	Combined Total
Interest income on mortgage loans	$ 291,044	$ 68,655,745	$ 7,656,916	$ 2,337,847	$ -	$ -	$ -	**$ 78,941,552**
Interest on guaranteed mortgage securities	-	-	-	-	410,110	546,625	707,071	**1,663,806**
Earnings on investments	246,978	18,155,910	145,401	1,777,152	18,976	-	33,284	**20,377,701**
Net increase/(decrease) in fair value of investm	(66,264)	(6,567,268)	92,895	(405,458)	(2,934)	-	-	**(6,949,029)**
HUD contributions	42,835,755	-	-	-	-	-	-	**42,835,755**
Other federal contributions	4,797,355	-	-	-	-	-	-	**4,797,355**
Fee, grant and other income	6,246,946	-	-	191,283	-	-	-	**6,438,229**
Total Operating Revenues	54,351,814	80,244,387	7,895,212	3,900,824	426,152	546,625	740,355	**148,105,369**
Operating Expenses								
Interest	-	64,674,836	4,894,374	1,907,440	388,515	546,625	737,190	**73,148,980**
Housing assistance payments	24,706,483	-	-	-	-	-	-	**24,706,483**
Servicer fees	-	3,907,451	588,554	-		-	-	**4,496,005**
Arbitrage rebate benefit	-	(2,588,486)	-	-	-	-	-	**(2,588,486)**
General and administrative	5,152,280	421,008	133	473,568	10,050	-	-	**6,057,039**
Amortization of deferred financing costs	-	2,238,930	144,875	138,783	6,588	-	-	**2,529,176**
Other housing programs	21,253,296	75,773	-	16,213	-	-	-	**21,345,282**
Provision for loan loss	176,713	1,191,170	-	262,132	-	-	-	**1,630,015**
Total Operating Expenses	51,288,772	69,920,682	5,627,936	2,798,136	405,153	546,625	737,190	**131,324,494**
Net Income Before Interfund Transfers	3,063,042	10,323,705	2,267,276	1,102,688	20,999	-	3,165	**16,780,875**
Interfund Transfers	846,173	(39,589)	(806,584)	-	-	-	-	**-**
Changes in Net Assets	3,909,215	10,284,116	1,460,692	1,102,688	20,999	-	3,165	**16,780,875**
Net Assets, Beginning of Year	58,197,030	321,311,428	1,745,550	55,731,494	235,881	-	153,858	**437,375,241**
Net Assets, End of Year	$ 62,106,245	$ 331,595,544	$ 3,206,242	$ 56,834,182	$ 256,880	$ -	$ 157,023	**$ 454,156,116**