FINANCIAL REPORT
JUNE 30, 2009 AND 2008

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

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

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, 2009 and 2008, 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 audits 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, 2009 and 2008, 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 December 7, 2009 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 audit.

Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purpose of forming opinions on the basic financial statements of **South Dakota Housing Development Authority** taken as a whole. The supplementary information set forth on pages 27 and 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Eide Bailly LLP

Aberdeen, South Dakota
December 7, 2009

This section of the South Dakota Housing Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2009 (FY 2009) and 2008 (FY 2008). 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 its bonds and notes to obtain funds to purchase mortgage loans to be originated by mortgage lenders and to make mortgage loans to individuals for 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. In addition, 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 different views of the Authority and consist of 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 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 revenue 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. The notes to the financial statements should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements.

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Financial Highlights for the Year Ended June 30, 2009

- Total assets of the Authority increased $109.4 million (or 4.7%) as of June 30, 2009
- Total liabilities of the Authority increased $92.8 million (or 4.8%) as of June 30, 2009
- Net assets of the Authority increased $16.6 million (or 4.3%) as of June 30, 2009
- Cash and cash equivalents of the Authority increased $29.2 million (or 15.1%) as of June 30, 2009
- Investments in securities increased $46.2 million (or 7.8%) as of June 30, 2009
- Mortgage loans receivable increased $28.7 million (or 2.0%) as of June 30, 2009
- Debt outstanding of the Authority increased $87.0 million (or 4.6%) as of June 30, 2009

Financial Highlights for the Year Ended June 30, 2008

- Total assets of the Authority increased $121.9 million (or 5.5%) as of June 30, 2008
- Total liabilities of the Authority increased $86.6 million (or 4.7%) as of June 30, 2008
- Net assets of the Authority increased $35.2 million (or 10.0%) as of June 30, 2008
- Cash and cash equivalents of the Authority decreased $53.6 million (or 21.7%) as of June 30, 2008
- Investments in securities increased $12.9 million (or 2.2%) as of June 30, 2008
- Mortgage loans receivable increased $160.0 million (or 12.3%) as of June 30, 2008
- Debt outstanding of the Authority increased $87.1 million (or 4.8%) as of June 30, 2008

Changes in Statement of Revenues, Expenses and Net Assets
(in millions of dollars)

	FY 2009	FY 2008	FY2007	% Change 2009/2008	% Change 2008/2007
Revenues:					
Interest on mortgages	$ 79.9	$ 74.7	$ 66.1	7.0%	13.0%
Investment income	28.9	43.7	38.8	(33.9%)	12.6%
Increase (decrease) in fair market value of investments	6.2	9.7	5.6	(36.1%)	73.2%
HUD contributions	25.6	26.3	27.7	(2.7%)	(5.1%)
Other income	7.6	8.8	10.1	(13.6%)	(12.9%)
Total revenues	148.2	163.2	148.3	(9.2%)	10.0%
Expenses:					
Interest	87.0	85.7	77.6	1.5%	1.4%
Servicer & other fees	9.4	6.9	5.8	36.2%	19.0%
General & administrative	5.5	5.6	5.5	(1.8%)	1.8%
Housing assistance payments	23.1	22.5	22.0	2.7%	2.3%
Other	6.6	7.3	9.4	4.1%	(22.3%)
Total expenses	131.6	128.0	120.3	2.8%	6.4%
Change in net assets	$ 16.6	$ 35.2	$ 28.0	(52.8%)	25.7%

Financial Highlights for the Year Ended June 30, 2009:
Interest on mortgages increased during the year as a result of an increase in mortgage loans outstanding. Investment income decreased as yields on short term securities decreased to levels below 1%. Yields all along the curve decreased as a result of the flight to quality that occurred during the year. Even with the decrease in short term yields our cash and cash equivalents increased from the prior year. This was a result of prepayments being held to make new mortgage loans instead of calling bonds, and bond proceeds being invested in a money market fund. Investment balances increased as a result of a short term note being issued and the proceeds being invested in a Guaranteed Investment Contract.

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The fair market value of investment securities increased by $6.2 million as market values continue to increase. Investment yields were generally lower towards the end of fiscal year 2009, resulting in the increase in market value of investments that were acquired in previous periods at higher yields.

Interest expense on bonds increased 1.5% to $87.0 million as a result of an increase in bonds outstanding.

Changes in net assets increased $16.6 million in 2009 compared to $35.2 million in fiscal year 2008.

Financial Highlights for the Year Ended June 30, 2008:
Interest on mortgages increased during the year as a result of an increase in mortgage loans outstanding. Investment income increased as a result of an increased average monthly balance of cash equivalents and investments. Investment balances increased and cash equivalents decreased as funds were moved to higher yielding, longer term securities.

The net increase in fair market value of investment securities in the amount of $4.1 million was recorded as a result of the rise in market value of investments. This is in comparison to a net increase of $17.3 million recorded in fiscal year 2007. Investment yields were generally lower towards the end of fiscal year 2008, resulting in the increase in market value of investments that were acquired in previous periods at higher yields.

Interest expense on bonds increased 10.4% to $85.7 million as a result of increases in bonds outstanding.

Changes in net assets increased $35.2 million in 2008 compared to $28.0 million in fiscal year 2007.

Financial Statement Elements

Changes in Assets and Liabilities
(in millions of dollars)

	FY 2009	FY 2008	FY2007	% Change 2009/2008	% Change 2008/2007
Assets:					
Cash and equivalents	$ 222.1	$ 192.9	$ 246.5	15.1%	(21.7%)
Investments	638.3	592.0	579.2	7.8%	2.2%
Mortgages and securities	1,547.7	1,515.2	1,356.0	2.1%	11.7%
Interest receivable	10.9	14.9	11.8	(26.8%)	26.3%
Deferred costs	14.2	13.4	12.5	6.0%	7.2%
Capital Assets	6.4	1.5	1.3	326.7%	15.4%
Other	4.4	4.7	5.4	(6.4%)	(13.0%)
Total assets	2,444.0	2,334.6	2,212.7	4.7%	5.5%
Liabilities:					
Current bonds payable	103.8	135.1	231.2	(23.2%)	(41.6%)
Interest payable	13.9	12.9	13.8	7.8%	(6.2%)
Other	32.7	27.8	27.4	17.6%	1.5%
Noncurrent bonds payable	1,889.6	1,771.3	1,588.1	6.7%	11.5%
Total liabilities	2,040.0	1,947.1	1,860.5	4.8%	(4.7%)
Net assets:					
Unrestricted	0.0	0.0	0.0	0.0%	0.0%
Invested in capital assets, net of related debt	1.0	1.5	1.3	(33.3%)	15.4%
Restricted by bond indentures	360.6	343.6	311.2	4.9%	10.4%
Restricted by HOME program	43.7	42.4	39.7	3.1%	6.8%
Total net assets	$ 404.1	$ 387.5	$ 352.2	4.3%	10.0%

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Debt Administration

The Authority is authorized to issue debt to purchase or originate mortgage loans on single family and multifamily residential properties. As of June 30, 2009, the Authority had $1,993.4 million in bonds outstanding, a 4.6% increase from 2008. As of June 30, 2008, the Authority had $1,906.4 million in bonds outstanding, a 4.8% increase from 2007.

The Authority issued a total of $409.6 million in bonds in fiscal year 2009. Of that total, $200 million was issued as long term debt for the origination of single family loans, $62.4 million was issued as short term debt for the purpose of preserving bonding authority, $128.3 million was issued as debt for the refunding of bonds from prepayments and excess reserves, $12.3 million was issued to finance 2 multifamily developments and $6.6 million was issued to finance the construction of the Authority's new office facility. The Authority issued a total of $487.2 million in bonds in fiscal year 2008. Of that total, $200 million was issued as long term debt for the origination of single family loans, $200 million was issued as short term debt for the purpose of preserving bonding authority and $87.2 million was issued as debt for the refunding of bonds from prepayments and excess reserves.

The Authority retired or paid at maturity a total of $322.6 million in bonds in fiscal year 2009. $187.9 million was redeemed from prepayments and excess reserves and $134.7 million was maturing principal. The Authority retired or paid at maturity a total of $397.7 million in bonds in fiscal year 2008. $171.5 million was redeemed from prepayments and excess reserves and $226.2 million was maturing principal.

In 2009 and 2008, the Authority's Homeownership Mortgage Bonds were rated AAA by Standard and Poor's, and Aa1 by Moody's Investor Service. The Authority's Multiple Purpose Bonds are insured by Financial Security Assurance, Inc. and are therefore rated Aaa by Moody's Investor Service. Moody's Investors Service has given the Authority an Issuer Rating of Aa3.

During 2009 the Authority experienced failed remarketings of some bonds that resulted in the bonds being purchased by the liquidity provider and becoming "bank bonds". All of the bonds with liquidity provided by DEPFA Bank plc (DEPFA) became bank bonds after DEPFA's rating was downgraded. On February 5, 2009, the Authority replaced the DEPFA liquidity facility with a facility of its own, at which point all bank bonds were successfully remarketed.

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

Economic Outlook

In 2009, conditions in the national and international credit markets impacted the Authority's ability to issue debt and caused interest rates on variable rate bonds to deviate from levels anticipated by hedging transactions. The Authority is continuously monitoring the situation and will take action as needed. In 2008, deteriorating conditions in the national and international credit markets impacted the Authority's ability to issue debt and caused the interest rate on variable rate bonds to deviate from levels anticipated by hedging transactions.

Overview

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

Statements of Net Assets — *As of June 30*

Assets		**2009**		2008
Current Assets				
Cash and cash equivalents (Note 3)	**$**	**222,058,169**	$	192,902,720
Investment in securities (Note 3)		**124,134,943**		139,756,847
Mortgage loans receivable (Note 4)		**79,171,534**		76,005,473
Guaranteed mortgage securities		**2,610,153**		1,615,343
Interest receivable		**10,940,633**		14,874,010
Other receivables		**618,714**		657,644
Other assets		**2,221,784**		2,423,278
Total Current Assets		**441,755,930**		428,235,315
Noncurrent Assets				
Investment in securities (Note 3)		**514,133,808**		452,279,160
Mortgage loans receivable (Note 4)		**1,414,901,296**		1,389,345,562
Guaranteed mortgage securities (Note 3)		**51,007,299**		48,210,088
Other receivables		**1,548,789**		1,580,232
Furniture and equipment, at cost, less accumulated depreciation		**1,039,806**		547,472
Building, at cost, less accumulated depreciation		**4,395,792**		400,183
Land Improvement, at cost, less accumulated depreciation		**782,630**		348,635
Land		**220,409**		220,409
Deferred financing costs, net		**14,226,036**		13,445,301
Total Noncurrent Assets		**2,002,255,865**		1,906,377,042
Total Assets		**2,444,011,795**		2,334,612,357
Liabilities				
Current Liabilities				
Bonds payable (Notes 5 and 6)		**103,754,767**		135,228,921
Accrued interest payable		**13,862,055**		12,937,346
Accounts payable and other liabilities		**2,922,734**		2,342,389
Multifamily escrows and reserves		**20,929,425**		20,882,097
Total Current Liabilities		**141,468,981**		171,390,753
Noncurrent Liabilities				
Bonds payable (Notes 5 and 6)		**1,889,596,544**		1,771,168,311
Accounts payable and other liabilities		**8,882,596**		4,574,752
Total Noncurrent Liabilities		**1,898,479,140**		1,775,743,063
Total Liabilities		**2,039,948,121**		1,947,133,816
Net Assets				
Unrestricted		**-**		-
Invested in Capital Assets, net of related debt		**1,041,955**		1,516,699
Restricted by Bond Indentures		**359,364,266**		343,607,175
Restricted by HOME Program		**43,657,453**		42,354,667
Total Net Assets	**$**	**404,063,674**	$	387,478,541

See Notes to Financial Statements.

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30

Operating Revenues	2009	2008
Interest income on mortgage loans	$ 79,921,959	$ 74,656,280
Interest on guaranteed mortgage securities	2,062,307	2,345,342
Interest on investments	26,831,837	41,378,511
Net increase (decrease) in the fair market value of investments	6,214,598	9,741,463
HUD contributions	25,605,602	26,245,883
Other income	7,541,862	8,830,437
Total Operating Revenues	148,178,165	163,197,916
Operating Expenses		
Interest	86,957,451	85,727,708
Housing assistance payments	23,096,676	22,538,256
Servicer and other fees	9,445,424	6,835,731
General and administrative	5,516,859	5,595,548
Amortization of deferred financing costs	2,027,017	2,276,635
Other housing programs	4,549,605	4,990,429
Total Operating Expenses	131,593,032	127,964,307
Change in net assets	16,585,133	35,233,609
Net Assets, beginning of year	387,478,541	352,244,932
Net Assets, end of year	$ 404,063,674	$ 387,478,541

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

	2009	2008
Cash Flows From (Used by) Operating Activities		
Receipts from loan payments	**$ 245,721,503**	$ 217,698,056
Receipts for program fees	**7,618,231**	9,843,001
Receipts from federal housing programs	**25,605,602**	26,245,883
Payments for loan programs	**(194,945,024)**	(303,943,473)
Payments for operating expenses	**(7,536,622)**	(8,963,865)
Payments to employees	**(3,258,800)**	(3,250,305)
Payments for federal housing programs	**(23,096,676)**	(22,538,256)
Payments for other housing programs	**(3,293,566)**	(5,133,365)
Net Cash From (Used by) Operating Activities	**46,814,648**	(90,042,324)
Cash Flows Used by Noncapital Financing Activities		
Proceeds from sale of bonds	**411,360,000**	490,575,335
Principal paid on bonds	**(324,282,604)**	(400,648,999)
Interest paid on bonds	**(87,639,668)**	(89,454,238)
Bond issuance costs paid	**(2,807,752)**	(3,111,820)
Net Cash Used by Noncapital Financing Activities	**(3,370,024)**	(2,639,722)
Cash Flows Used by Capital and Related Financing Activities		
Purchase of fixed assets	**(4,549,875)**	(487,140)
Net Cash Used by Capital and Related Financing Activities	**(4,549,875)**	(487,140)
Cash Flows From (Used by) Investing Activities		
Purchase of investment securities	**(778,327,279)**	(498,745,056)
Proceeds from sale and maturities of investment securities	**733,896,182**	496,583,052
Interest received on investments	**34,691,797**	41,760,978
Net Cash From (Used by) Investing Activities	**(9,739,300)**	39,598,974
Change in cash and cash equivalents	**29,155,449**	(53,570,212)
Cash and cash equivalents, beginning of year	**192,902,720**	246,472,932
Cash and cash equivalents, end of year	**$ 222,058,169**	$ 192,902,720

	2009	2008
Reconciliation of Operating Income to Cash Flows Used In Operating Activities		
Operating income	**$ 16,585,133**	$ 35,233,609
Adjustments to reconcile operating income to net cash from (used by) operating activities		
Interest on bonds payable	**86,957,451**	85,727,708
Net increase in fair market value of investments	**(6,214,598)**	(9,741,463)
Interest from investments	**(28,894,144)**	(43,723,853)
Amortization of deferred financing costs	**2,027,017**	2,276,635
Loss on disposal of fixed assets	**5,996**	-
Changes in assets and liabilities:		
Loan interest receivable	**(816,400)**	(923,996)
Accounts payable and other liabilities	**4,888,189**	1,042,498
Mortgage loans receivable	**(28,721,795)**	(159,977,701)
Other receivables	**70,373**	1,012,564
Other assets	**201,494**	(310,796)
Multifamily escrows and reserves	**47,328**	(934,488)
Depreciation	**261,592**	267,434
Bad debt expense	**417,012**	9,525
Net Cash From (Used by) Operating Activities	**$ 46,814,648**	$ (90,042,324)

	2009	2008
Supplemental Disclosure of Noncash Investing and Financing Activities		
Accounts payable incurred for construction of capital assets	**$ 951,575**	$ -

See Notes to Financial Statements.

Note 1. Authorizing Legislation and Indentures:

Authorizing Legislation:

The South Dakota Housing Development Authority (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 $273,270,000 for 2009. An additional $96,550,479 was allocated to South Dakota through the Housing Recovery Act of 2008. These funds are available through 2010 for 'qualified housing issues' of the Housing Recovery Act of 2008. 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 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 70 percent of the appraised value of the home.

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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.

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.

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Interest Income:

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

Statements of Cash Flows:

For the purposes of the statements of cash flows, cash and cash equivalents are defined as investments with original maturities of ninety days or less.

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.

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.

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.

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:

The Authority enters into certain derivative financial instruments called Interest Rate Swap Agreements (swaps). The Authority enters into these swaps with various counter-parties to achieve a lower overall cost of funds. These agreements can be negotiated whereby the Authority pays the counter-party a fixed interest rate in exchange for a variable interest rate payment from the counter-party. The particulars of each swap are negotiated to achieve the financing objectives of the Authority. Other than the net interest expense resulting from these agreements, no amounts are recorded in the Authority's financial statements.

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 Multi-Family 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.

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Capital Asset Policy:

Capital assets costing more than $5,000 (changed from $1,000 in FY2008) 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 - 6 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 $8,119,346 and $3,784,502 at June 30, 2009 and 2008, 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.

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.

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.

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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 of 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. This component includes net assets designed for specific purposes by the Members of the Board,

Accounting Standards Issued but not yet Adopted:

In June 2009, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. Derivatives are often complex financial arrangements used by the Authority to manage specific risks. By entering into these arrangements, the Authority receives or makes payment based on market prices without actually entering into the related financial transactions. Derivatives associated with changing financial prices result in changing cash flows and fair values that can be used as effective risk management tools. Derivatives; however, can also expose the Authority to significant risks and liabilities. The Authority is required to adopt GASB Statement No. 53 for its 2010 financial statements and is currently evaluating the impact of implementing this Statement.

Reclassifications:

Certain amounts in the financial statements for the year ending June 30, 2008 have been reclassified for comparative purposes in order to conform with the presentation in the financial statements for the year ending June 30, 2009. 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, 2009 and 2008 all investments held by the Authority were in compliance with the requirements of the bond resolutions.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy requires deposits in excess of the Depository Insurance maximums must be collateralized 100%. Collateral must be deposited for safekeeping in a financial institution that is not owned or controlled either directly or indirectly by the pledging financial institution. The financial institution where the collateral is held must be a member of the Federal Reserve. As of June 30, 2009 and June 30, 2008 of the Authority's deposits of $2,782,373 (carrying value of $2,600,694) and $2,327,754 (carrying value of $575,345) all were covered by insurance or collateral in accordance with the Authority's deposit policy.

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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 fifty percent 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, 2009 and 2008, 17.0 percent and 13.0 percent, respectively, of the Authority's securities were invested in mortgage pass-through securities. As of June 30, 2009, and 2008, the Authority had investments maturing as follows:

		2009 Investment Maturities (in Years)			
	Fair Value	**Less than 1**	**1 to 5**	**6 to 10**	**Greater than 10**
U.S. Govt Obligations	**$ 66,507,954**	**$ 1,129,113**	**$ 56,298,061**	**$ 8,199,733**	**$ 881,047**
U.S. Agency Obligations	**394,882,534**	**75,924,259**	**107,480,986**	**125,035,743**	**86,441,546**
Mutual Funds/CDs	**213,991,194**	**211,938,194**	**2,053,000**	**-**	**-**
Investment Agreements	**58,396,890**	**53,301,178**	**100,000**	**-**	**4,995,712**
State Obligations	**123,947,654**	**1,199,675**	**6,690,130**	**3,024,849**	**113,033,000**
Total	**$ 857,726,226**	**$ 343,492,419**	**$ 172,622,177**	**$ 136,260,325**	**$ 205,351,305**

		2008 Investment Maturities (in Years)			
	Fair Value	Less than 1	1 to 5	6 to 10	Greater than 10
U.S. Govt Obligations	$ 24,055,869	$ 1,790,584	$ 14,543,641	$ 7,721,644	$ -
U.S. Agency Obligations	367,697,793	131,540,507	77,095,868	94,627,278	64,434,140
Mutual Funds/CDs	160,675,768	160,520,962	154,806	-	-
Investment Agreements	188,348,962	30,676,013	151,651,082	-	6,021,867
State Obligations	43,584,989	5,068,719	23,185,642	13,692,259	1,638,369
Total	$ 784,363,381	$ 329,596,785	$ 266,631,039	$ 116,041,181	$ 72,094,376

At June 30, 2009 and 2008 certain cash equivalents and investment in securities are restricted in prescribed amounts by the bond resolutions as follows:

	2009			2008		
	Homeownership Mortgage Program Bonds	**Multiple Purpose Bonds**	**Multifamily Risk Sharing Bonds**	Homeownership Mortgage Program Bonds	Multiple Purpose Bonds	Multifamily Risk Sharing Bonds
Capital Reserve for debt service	**$ 109,145,050**	**$ 5,222,954**	**$ 611,416**	$ 115,921,900	$ 4,352,260	$ 611,416
Mortgage Reserve for debt service, bond redemption premiums and potential loan losses	**44,798,108**	**-**	**-**	45,482,253	-	-
Total	**$ 153,943,158**	**$ 5,222,954**	**$ 611,416**	$ 161,404,153	$ 4,352,260	$ 611,416

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

Moody's Rating	**2009**	2008
Aaa	**$ 777,190,812**	$ 609,023,517
Aa	**6,527,584**	21,488,220
A	**1,539,094**	8,211,012
Baa	**155,279**	-
Ba	**589,164**	-
MIG1	**-**	1,001,490
Unrated	**5,216,339**	120,583,273
Total	**$ 791,218,272**	$ 760,307,512

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, 2009 the Authority held 5 percent or more of their investments with the following issuers: Federal Home Loan Bank (10.22%), Federal National Mortgage Association (13.95%), Federal Home Loan Mortgage Corporation (15.34%), South Dakota Housing Development Authority (13.2% - see Note 15), and Aegon (5.15%). At June 30, 2008, the following issuers held 5 percent or more of the Authority's investments: Federal Home Loan Bank (24.39%), Federal National Mortgage Association (10.60%), Federal Home Loan Mortgage Corporation (8.55%), Aegon (7.53%), and Pallas Capital Corporation Investment Agreement (11.87%).

Note 4. Mortgage Loans Receivable:

Mortgage loans receivable at June 30 consist of the following:

	2009	2008
Homeownership Mortgage Program Bonds	**$ 1,403,891,596**	$ 1,379,080,341
Multiple Purpose Bonds	**38,023,858**	36,141,975
Other (General Operating Account)	**52,157,376**	50,128,720
Total	**$ 1,494,072,830**	$ 1,465,351,036

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. No allowance for uncollectible loans has been determined to be required for the portion of loans that are not insured or guaranteed.

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, 2009 and 2008 is $4,316,946 and $1,505,517 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):

			2009			2008
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
1997 Series C	2010-2018	5.1% to 5.375%	410	4,450	**4,860**	5,610
1997 Series D	2018-2024	5.375% to 5.4%	-	6,810	**6,810**	7,270
1997 Series E-1	2010-2030	4.95% to 5.4%	1,680	30,415	**32,095**	35,395
1997 Series E-2	2010-2030	4.8% to 5.3%	1,505	27,310	**28,815**	29,515
1997 Series E-3	2010-2030	4.8% to 5.35%	810	14,615	**15,425**	15,800
1997 Series J	2017-2029	5.55% to 5.65%	-	28,495	**28,495**	53,620
1998 Series A	2018-2028	5.3% to 5.4%	-	12,450	**12,450**	12,700
1998 Series G	2029	5.35%	-	7,255	**7,255**	7,640

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2001 Series D	2010-2012	4.7% to 4.9%	1,120	-	**1,120**	2,060
2001 Series E	2022-2025	4.72%	-	635	**635**	2,960
2001 Series F	2030	4.85%	-	20,000	**20,000**	20,000
2002 Series B	2025	4.75%	-	-	**-**	435
2002 Series C	2010-2033	4.65% to 5.47%	945	12,850	**13,795**	14,080
2002 Series D	2010-2014	4.5% to 4.85%	6,810	-	**6,810**	8,000
2002 Series E	2021-2025	4.65% to 5.45%	-	6,340	**6,340**	8,760
2002 Series F	2010-2014	3.85% to 4.3%	6,515	-	**6,515**	7,675
2002 Series G	2022-2033	3.95% to 5.3%	-	30,775	**30,775**	33,050
2002 Series H	2010-2014	3.8% to 4.35%	9,320	-	**9,320**	11,170
2002 Series I	2022-2033	3.75% to 5.25%	-	21,290	**21,290**	22,605
2003 Series A	2010-2023	3.45% to 4.75%	7,925	1,455	**9,380**	10,360
2003 Series B	2023-2034	4.95% to 5.05%	-	26,780	**26,780**	28,320
2003 Series C-1	2032	.45% (2)	-	26,500	**26,500**	26,500
2003 Series C-2	2032	.23% (2)	-	26,400	**26,400**	26,400
2003 Series D	2010-2022	3.3% to 4.8%	5,295	3,865	**9,160**	11,330
2003 Series E	2028	5.0%	-	4,765	**4,765**	6,060
2003 Series F	2034	.60% (2)	-	20,000	**20,000**	20,000
2003 Series G	2010-2017	3.45% to 4.55%	10,505	5,080	**15,585**	17,225
2003 Series H	2022-2028	4.85% to 5%	-	19,100	**19,100**	21,385
2003 Series I	2034	.30% (2)	-	28,000	**28,000**	28,000
2004 Series A	2010-2017	3.6% to 4.7%	18,750	-	**18,750**	20,715
2004 Series B	2021-2027	4.95% to 5%	-	18,260	**18,260**	23,095
2004 Series C	2034	.30% (2)	-	34,000	**34,000**	34,000
2004 Series D	2032	.23% (2)	-	11,890	**11,890**	11,890
2004 Series E	2010-2017	3.2% to 4.25%	18,885	-	**18,885**	20,905
2004 Series F	2022-2028	4.6% to 5.25%	-	26,125	**26,125**	30,140
2004 Series G	2034	.40% (2)	-	33,000	**33,000**	33,000
2005 Series A	2010-2018	3.35% to 4.2%	20,885	-	**20,885**	22,840
2005 Series B	2023-2027	4.5% to 5.25%	-	16,865	**16,865**	22,150
2005 Series C	2035	.30% (2)	-	41,000	**41,000**	41,000
2005 Series D	2031	.23% (2)	-	6,925	**6,925**	6,925
2005 Series E	2010-2018	3.35% to 4.1%	21,265	-	**21,265**	23,235
2005 Series F	2027-2030	4.6% to 5.0%	-	37,530	**37,530**	41,595
2005 Series G	2035	.31% (2)	-	25,000	**25,000**	25,000
2005 Series J	2010-2018	3.7% to 4.6%	33,355	-	**33,355**	33,355
2005 Series K	2025-2036	4.9% to 5.75%	-	98,190	**98,190**	106,235
2006 Series A	2010-2019	3.8% to 4.5%	27,920	-	**27,920**	30,125
2006 Series B	2026-2031	4.9% to 6%	-	50,770	**50,770**	54,440
2006 Series C	2037	.31% (2)	-	45,000	**45,000**	45,000
2006 Series D	2013-2019	3.7% to 4.0%	17,055	-	**17,055**	17,055
2006 Series E	2010-2036	3.85% to 5.75%	6,020	70,180	**76,200**	80,255
2006 A Drawdown	2045	1.25% (2) (3)	765	-	**765**	765
2006 A-3 Drawdown	2045	1.25% (2) (3)	-	5,578	**5,578**	5,578
2006 A-6 Drawdown	2045	1.25% (2) (3)	-	1,192	**1,192**	1,202
2006 A-7 Drawdown	2045	1.25% (2) (3)	-	8,725	**8,725**	8,725
2006 A-8 Drawdown	2045	1.25% (2) (3)	-	7,985	**7,985**	15,975
2006 A-9 Drawdown	2045	1.25% (2) (3)	-	22,875	**22,875**	22,875
2006A-10 Drawdown	2045	1.25% (2) (3)	-	9,975	**9,975**	28,090
2006A-11 Drawdown	2045	1.25% (2) (3)	-	9,610	**9,610**	9,610
2006A-12 Drawdown	2045	1.25% (2) (3)	-	18,023	**18,023**	-
2006A-13 Drawdown	2045	1.25% (2) (3)	-	28,305	**28,305**	-
2007 Series A	2013-2019	3.85% to 4.2%	14,105	-	**14,105**	14,105
2007 Series B	2010-2037	3.85% to 5.5%	7,715	72,785	**80,500**	83,930
2007 Series D	2013-2018	3.95% to 4.35%	12,920	-	**12,920**	12,920
2007 Series E	2010-2037	3.9% to 5.75%	6,565	75,725	**82,290**	85,370
2007 Series F	2009	4.25%	-	-	**-**	100,000
2007 Series G	2014-2018	3.75%-4.2%	7,970	-	**7,970**	7,970
2007 Series H	2018-2037	3.8%-5.5%	8,490	46,900	**55,390**	57,995
2007 Series I	2026-2038	.31% (2)	34,000	-	**34,000**	34,000
2008 Series A	2016-2018	4.0%-4.375%	7,255	-	**7,255**	7,500
2008 Series B	2018-2028	3.75%-5.75%	16,035	25,965	**42,000**	42,500
2008 Series C	2028-2039	.28% (2)	50,000	-	**50,000**	50,000
2008 Series D	2010-2019	2.55%-4.45%	18,015	-	**18,015**	-
2008 Series E	2023-2038	5.375%-6.0%	-	47,245	**47,245**	-
2008 Series F	2039	.35% (2)	-	34,000	**34,000**	-
2008 Series G	2010-2038	3.45%-6.25%	23,000	27,000	**50,000**	-
2008 Series H	2010	2.5%	-	62,440	**62,440**	-
2009 Series A	2039	.27% (2)	-	50,000	**50,000**	-
Plus unamortized premium					**13,354**	13,639
Less unamortized loss of refunding					**(1,035)**	(1,130)
Total Homeownership Mortgage Program Bonds					**$1,890,827**	$1,818,499

(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) See Note 15.

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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.

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

			2009			2008
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term(1)**	**Total Outstanding**	Total Outstanding
2002 Series A	2010-2020	4.3% to 5.15%	$ 5,745	$ 15,660	**$ 21,405**	$ 23,620
2002 Series B	2010-2021	3.9% to 5.1%	6,485	6,040	**12,525**	13,975
2008 Series A	2010-2048	2.0%	-	7,320	**7,320**	-
2009 Series A	2010-2048	.43%	-	6,650	**6,650**	-
Less unamortized loss on refunding					**(769)**	(835)
Total Multifamily Trust Bonds					**$ 47,131**	$ 36,760

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

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):

			2009			2008
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term(1)**	**Total Outstanding**	Total Outstanding
Series 2001	2031	.35%	$ -	$ 6,495	**$ 6,495**	$ 6,495
Series 2001	2034	.42%	-	13,000	**13,000**	13,000
Series 2002 A	2010-2033	4.05% to 5.35%	105	2,255	**2,360**	2,405
Series 2004 A	2010-2033	6.15%	3,032	-	**3,032**	3,084
Country Meadow	2044	.29% (2)	-	4,920	**4,920**	-
Total Multifamily Housing Revenue Bonds					**$ 29,807**	$ 24,984

(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):

			2009		2008
Bond Issue	**Maturity Date**	**Interest Rate**	**Term**	**Total Outstanding**	Total Outstanding
1995 Series A	2010	7.5% to 8.5%	$ 1,850	**$ 1,850**	$ 1,968
1996 Series B	2010-2012	3.75%	1,337	**1,337**	1,365
Series 1999-1	2010-2015	4.0%	1,258	**1,258**	1,288
Series 1999-2	2010-2015	6.0%	1,365	**1,365**	1,408
Series 1999-3	2010-2015	6.0%	1,476	**1,476**	1,512
Series 2000-1	2010-2015	7.5%	745	**746**	760
Series 2002-1	2010-2017	7.0%	3,949	**3,949**	4,028
Total Multifamily Mortgage Pass-Through Bonds				**$ 11,981**	$ 12,329

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

			2009			2008
Bond Issue	**Maturity Date**	**Interest Rate**	**Serial**	**Term (1)**	**Total Outstanding**	Total Outstanding
Series 1999	2010-2040	5.75% to 5.8%	$ -	$ 3,010	**$ 3,010**	$ 3,045
Series 2000	2032	5.85%	-	3,155	**3,155**	3,275
Series 2001	2010-2043	4.15% to 5.35%	140	7,300	**7,440**	7,505
Total Multifamily Risk Sharing Bonds					**13,605**	13,825
TOTAL BONDS OUTSTANDING					**$ 1,993,351**	$ 1,906,397

(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, 2009 and 2008:

	Balance July 1, 2008	**Additions**	**Deductions**	**Balance June 30, 2009**	**Amounts Due Within One Year**
Homeownership Mortgage Program Bonds	$ 1,818,499,103	$ 392,548,255	$ 320,220,043	$ 1,890,827,315	$ 98,930,000
Multiple Purpose Bonds	36,759,898	14,036,470	3,665,000	47,131,368	2,395,000
Multifamily Housing Revenue Bonds	24,984,167	6,645,000	1,822,247	29,806,920	100,510
Multifamily Mortgage Pass-Through Bonds	12,329,064	-	348,357	11,980,707	2,094,257
Multifamily Risk Sharing Bonds	13,825,000	-	220,000	13,605,000	235,000
	$ 1,906,397,232	$ 413,229,725	$ 326,275,647	$ 1,993,351,310	$ 103,754,767

	Balance July 1, 2007	**Additions**	**Deductions**	**Balance June 30, 2008**	**Amounts Due Within One Year**
Homeownership Mortgage Program Bonds	$ 1,728,543,342	$ 491,000,503	$ 401,044,742	$ 1,818,499,103	$ 131,355,000
Multiple Purpose Bonds	39,038,428	66,470	2,345,000	36,759,898	2,425,000
Multifamily Housing Revenue Bonds	25,073,343	-	89,176	24,984,167	97,247
Multifamily Mortgage Pass-Through Bonds	12,655,887	-	326,823	12,329,064	1,131,674
Multifamily Risk Sharing Bonds	14,030,000	-	205,000	13,825,000	220,000
	$ 1,819,341,000	$ 491,066,973	$ 404,010,741	$ 1,906,397,232	$ 135,228,921

Short-term debt is included in the above table with $62.4 million, $100 million and $200 million short term debt outstanding at June 30, 2009, 2008, and 2007 respectively. The Authority issued short term debt during the fiscal year for the purpose of preserving bonding authority. The bonds are expected to be refunded into long term debt for the purpose of originating qualified mortgage loans under the Homeownership Mortgage Program.

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:

	Homeownership Mortgage Program Bonds		**Multiple Purpose Bonds**		**Multifamily Housing Revenue Bonds**	
Year End June 30	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2010	$ 98,930,000	$ 79,356,269	$ 2,395,000	$ 1,852,213	$ 100,510	$ 399,040
2011	41,270,000	76,687,036	2,615,000	1,655,869	108,976	393,689
2012	43,915,000	75,056,750	2,725,000	1,547,876	112,659	388,210
2013	45,080,000	73,337,208	3,670,000	1,433,169	121,571	381,912
2014	45,800,000	71,418,572	3,170,000	1,280,106	125,729	375,285
2015-2019	235,570,000	325,514,811	14,980,000	4,264,455	760,674	1,755,045
2020-2024	258,465,000	265,128,145	6,855,000	1,108,321	1,021,249	1,502,736
2025-2029	284,765,000	196,809,499	1,375,000	665,422	1,355,088	1,163,665
2030-2034	479,180,000	120,388,722	1,765,000	564,687	8,180,465	636,552
2035-2039	232,500,000	28,041,830	2,280,000	438,647	13,000,000	85,102
2040-2044	-	8,716,957	2,920,000	280,494	4,920,000	65,395
2045-2049	113,033,000	1,597,621	3,150,000	84,750	-	-
Total	$ 1,878,508,000	$ 1,322,053,420	$ 47,900,000	$ 15,176,009	$ 29,806,920	$ 7,146,631

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Year End June 30	Multifamily Mortgage Pass-Through Bonds Principal	Multifamily Mortgage Pass-Through Bonds Interest	Multifamily Risk Sharing Bonds Principal	Multifamily Risk Sharing Bonds Interest
2010	$ 2,094,257	$ 622,516	$ 235,000	$ 753,835
2011	258,687	560,004	215,000	741,374
2012	274,087	545,205	180,000	729,808
2013	1,505,416	494,343	190,000	719,693
2014	274,748	471,501	205,000	708,874
2015-2019	7,573,511	739,921	1,220,000	3,357,045
2020-2024	-	-	1,645,000	2,966,662
2025-2029	-	-	2,235,000	2,439,050
2030-2034	-	-	2,625,000	1,724,321
2035-2039	-	-	2,475,000	1,045,822
2040-2044	-	-	2,380,000	316,312
2045-2049	-	-	-	-
Total	$ 11,980,706	$ 3,433,490	$ 13,605,000	$ 15,502,796

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.

Swap Terms:

The terms, including the fair values and counterparty credit ratings of the outstanding swaps as of June 30, 2009, 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 10 years after the date of issuance of the related bonds.

Bond Series	Current Notional Amount	Effective Date	Fixed Rate	Variable Rate Received	Swap Termination Date	Counterparty Credit Rating*	Fair Value
Merrill Lynch Capital Services							
2003 C-1	$26,500,000	6/18/04	3.400%	57% of LIBOR plus 0.42%	5/01/2013	A2	$ (1,547,734)
2005 D	6,925,000	4/13/05	3.290%	57.3% of LIBOR	5/01/2015	A2	(415,903)
2007 I	34,000,000	10/16/07	4.143%	63.8% of LIBOR	05/01/2038	A2	(2,865,227)
JPMorgan Chase Bank, N.A.							
2004 G	33,000,000	10/20/04	3.897%	63.4% of LIBOR plus 0.29%	5/01/2034	Aa1	(1,643,086)
2005 C	41,000,000	4/13/05	3.930%	63.3% of LIBOR	5/01/2035	Aa1	(2,303,569)
2008 F	34,000,000	9/4/08	3.85%	63.7% of LIBOR plus 0.30%	05/03/2039	Aa1	(2,259,298)
UBS Investment Bank				plus 0.40%			
2003 F	13,000,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(385,457)
2003 I	28,000,000	6/21/05	3.763%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(839,672)
2004 C	34,000,000	6/21/05	3.745%	63.8% of LIBOR plus 0.29%	5/01/2034	Aa2	(1,092,473)
Merrill Lynch Derivative Products, AG.							
2005 G	25,000,000	7/19/05	3.773%	63.8% of LIBOR plus 0.29%	5/01/2035	Aaa	(860,184)
2006 C	45,000,000	6/14/06	4.419%	64% of LIBOR Plus .30%	5/01/2037	Aaa	(4,182,444)
2008 C	49,705,000	3/26/08	3.42%	63.7% of LIBOR plus 0.31%	05/01/2039	Aaa	(1,206,566)
MPB 2008 A	7,320,000	8/2/08	3.552%	63.8% of LIBOR plus 0.20%	05/01/2048	Aaa	(315,574)

* Moody's Investor Service

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Fair Value:

The fair values presented above were estimated by the Authority's counterparty to the swaps. 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, 2009. A positive fair value represents money due the Authority by the counterparty upon termination of the swap, while a negative fair value represents money payable by the Authority.

Swap Risks:

Credit Risk: The terms of the swaps expose the Authority to potential credit risk with the counterparty upon the occurrence of a termination event. The fair value of a swap represents the Authority's current credit exposure to the counterparty with which the swaps were executed. The Authority has credit risk exposure to its counterparties when the swap position has a positive value.

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 year ended June 30, 2009, the weighted average interest rate on the Authority's variable rate debt associated with swaps was 2.645% per annum, while the weighted average interest rate on the swaps was 2.516% per annum. 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 Authority manages its concentration risk by limiting the total outstanding notional amount of swaps with a single counterparty to a maximum of $150,000,000.

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Swap Payments and Associated Debt: As rates vary, variable-rate bond interest payments and net swap payments will vary. Debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows using rates as of June 30, 2009:

Year End	Variable-Rate Bond		Interest Rate	
June 30	Principal	Interest	Swap – Net	Total
2010	$ -	$ 1,255,342	$ 12,556,223	$ 13,811,565
2011	80,000	1,255,288	12,555,594	13,890,882
2012	80,000	1,255,072	12,553,075	13,888,147
2013	90,000	1,254,849	12,426,918	13,771,767
2014	90,000	1,254,606	11,806,281	13,150,887
2015-2019	510,000	6,269,121	58,204,863	64,983,984
2020-2024	640,000	6,261,480	57,959,583	64,861,063
2025-2029	23,600,000	6,199,420	57,258,967	87,058,387
2030-2034	253,575,000	4,891,061	46,262,306	304,728,367
2035-2039	96,190,000	728,797	7,951,522	104,870,319
2040-2044	1,470,000	30,429	354,762	1,855,191
2045-2049	1,420,000	8,829	102,934	1,531,763
Total	$ 377,745,000	$ 30,664,294	$ 289,993,028	$ 698,402,322

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.

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:

	2009	2008
Bond and note reserve	**$ 4,444,486**	$ 4,314,198
Program operations reserve	**2,322,624**	2,193,064
Total	**$ 6,767,110**	$ 6,507,262

Note 8. Commitments:

As of June 30, 2009, the Authority had the following Homeownership Mortgage Program Bond commitments:

- Commitments to purchase Homeownership mortgage loans aggregating $41,968,108.

(continued on next page)

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, 2009 and 2008, for the Homeownership Mortgage Program Bonds and the Multifamily Housing Trust Bonds follows:

	2009		2008	
	Homeownership Mortgage Program Bonds	**Multifamily Housing Trust Bonds**	**Homeownership Mortgage Program Bonds**	**Multiple Purpose Trust Bonds**
Condensed Statement of Net Assets				
Assets:				
Current assets	$ 408,025,408	$ 17,938,527	$ 398,876,629	$ 16,185,478
Interfund receivables (payables)	12,100,013	(49,630)	11,178,057	(53,479)
Other noncurrent assets	1,792,259,919	83,271,489	1,713,314,784	71,007,506
Total Assets	$ 2,212,385,340	$ 101,160,386	$ 2,123,369,470	$ 87,139,505
Liabilities and Net Assets				
Current liabilities	$ 112,759,753	$ 2,792,766	$ 144,270,910	$ 2,640,821
Noncurrent liabilities	1,800,016,661	44,736,369	1,690,928,605	34,414,898
Total Liabilities	1,912,776,414	47,529,135	1,835,199,515	37,055,719
Net assets:				
Invested in capital assets, net of related debts	-	(2,190,274)	-	-
Restricted by bond indentures	299,608,926	55,821,525	288,169,955	50,083,786
Total liabilities and net assets	$ 2,212,385,340	$ 101,160,386	$ 2,123,369,470	$ 87,139,505
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 106,251,018	$ 6,125,950	$ 119,153,835	$ 6,338,363
Operating Expenses	94,812,047	2,578,485	91,094,903	2,368,551
Operating Income	11,438,971	3,547,465	28,058,932	3,969,812
Transfers Out	-	-	-	-
Change in net assets	11,438,971	3,547,465	28,058,932	3,969,812
Beginning net assets	288,169,955	50,083,786	260,111,023	46,113,974
Ending net assets	$ 299,608,926	$ 53,631,251	$ 288,169,955	$ 50,083,786
Condensed Statement of Cash Flows				
Net cash provided (used) by:				
Operating activities	$ 45,416,250	$ (549,392)	$ (94,084,785)	$ 4,811,232
Noncapital financing activities	(13,675,008)	8,167,213	4,669,773	(4,244,074)
Capital financing activities	-	(3,532,250)	-	-
Investing activities	(8,440,151)	528,883	36,594,775	(1,826,742)
Net change	23,301,091	4,614,454	(52,820,237)	(1,259,584)
Beginning cash and cash equivalents	186,047,959	2,240,483	238,868,196	3,500,067
Ending cash and cash equivalents	$ 209,349,050	$ 6,854,937	$ 186,047,959	$ 2,240,483

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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 percent of their annual covered salary and the Authority is required to match an additional 6 percent. 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 $164,913, $156,570 and $152,434 for the years ended June 30, 2009, 2008 and 2007, 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 two years ended June 30, 2009, 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.

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Note 13. Capital Assets

	Beginning Balance July 1, 2008	Increase	Decrease	Ending Balance June 30, 2009
Capital assets not depreciated				
Land	**$ 220,409**	**$ -**	**$ -**	**$ 220,409**
Total capital assets not depreciated	**220,409**	**-**	**-**	**220,409**
Capital assets depreciated				
Buildings	**416,132**	**4,070,307**	**8,139**	**4,478,300**
Land improvements	**703,501**	**629,936**	**233,926**	**1,099,511**
Furniture and equipment	**3,061,818**	**752,120**	**587,005**	**3,226,933**
Total capital assets depreciated	**4,181,451**	**5,452,363**	**$829,070**	**8,804,744**
Total capital assets	**4,401,860**	**5,452,363**	**$829,070**	**9,025,153**
Less: accumulated depreciation for				
Buildings	**15,949**	**74,264**	**7,705**	**82,508**
Land improvements	**354,866**	**34,959**	**72,944**	**316,881**
Furniture and equipment	**2,514,346**	**152,369**	**479,588**	**2,187,127**
Total accumulated depreciation	**2,885,161**	**261,592**	**560,237**	**2,586,516**
Capital assets-net	**$1,516,699**	**$5,190,771**	**$268,833**	**$6,438,637**

	Beginning Balance July 1, 2007	Increase	Decrease	Ending Balance June 30, 2008
Capital assets not depreciated				
Land	$ -	$ 220,409	$ -	$ 220,409
Total capital assets not depreciated	-	220,409	-	220,409
Capital assets depreciated				
Buildings	301,815	115,729	1,412	416,132
Land improvements	703,501	-	-	703,501
Furniture and equipment	2,951,980	154,892	45,054	3,061,818
Total capital assets	3,957,296	491,030	46,466	4,401,860
Less: accumulated depreciation for				
Buildings	14,630	$1,320	1	15,949
Land improvements	319,907	34,959	-	354,866
Furniture and equipment	2,319,793	231,155	36,602	2,514,346
Total accumulated depreciation	2,654,330	267,434	36,603	2,885,161
Capital assets-net	$ 1,302,966	$ 223,596	$ 9,863	$ 1,516,699

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Note 14. Accounts Payable and Other Accruals

Payables at June 30, 2009 and 2008 were as follows:

Accounts Payable	2009	2008
Contractual	$ 52,110	$ 187,561
Travel/Moving Costs	14,751	22,340
Office	15,734	5,318
Marketing	13,040	49,335
Maintenance	11,150	3,013
Housing Grants	153,719	84,634
Capital Assets	951,575	3,891
Deferred Financing Costs	143,800	-
General	1,160	37,331
Prepaid Sales	165,786	598,898
Excise Tax	8,758	15,725
Materials/Tools	72,601	82,741
Total Accounts Payable	1,604,184	1,090,787
Arbitrage Rebate	8,119,346	3,784,502
Housing Loan Payable	763,250	790,250
Accrued Vacation	352,760	327,959
Accrued Salaries	118,984	131,783
Employee Withholdings	19,212	38,969
EMAP Payable	277,752	300,799
Servicing Fee	451,046	353,296
Estes Park	98,796	98,796
TOTAL ACCOUNTS PAYABLE AND OTHER ACCRUALS	11,805,330	6,917,141
Current Liabilities	(2,922,734)	(2,342,389)
Noncurrent Liabilities	$ 8,882,596	$ 4,574,752

Note 15. Drawdown Bonds:

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. We intend to refund these bonds in order to preserve the volume cap and to purchase mortgage loans. The $113 million is therefore recorded as an asset (investment) and liability (bond payable) on our year-end financial statements.

Note 16. Subsequent Events:

In November of 2009, the Authority issued $75,000,000 of Homeownership Mortgage Bonds Series 2009 BC. The bonds will mature on May 1, 2010, through May 1, 2039.

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SUPPLEMENTARY INFORMATION

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

Assets	General Operating Account	Homeownership Mortgage Program 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	$ 4,092,901	$ 209,349,050	$ 6,854,937	$ 1,292,772	$ 6	$ 468,503	**$ 222,058,169**
Investment in securities	1,832,364	114,772,087	7,530,492	-	-	-	**124,134,943**
Mortgage loans receivable	2,143,439	74,304,946	2,723,149	-	-	-	**79,171,534**
Guaranteed mortgage securities	-	-	-	287,882	2,094,257	228,014	**2,610,153**
Interest receivable	428,260	9,599,325	829,949	6,666	-	76,433	**10,940,633**
Other receivables	618,714	-	-	-	-	-	**618,714**
Other assets	2,221,784	-	-	-	-	-	**2,221,784**
Total Current Assets	11,337,462	408,025,408	17,938,527	1,587,320	2,094,263	772,950	441,755,930
Noncurrent Assets							
Investment in securities	22,530,913	447,518,540	43,033,836	444,735	-	605,784	**514,133,808**
Mortgage loans receivable	50,013,937	1,329,586,650	35,300,709	-	-	-	**1,414,901,296**
Guaranteed mortgage securities	-	-	-	28,277,217	9,886,449	12,843,633	**51,007,299**
Other receivables	-	1,548,789	-	-	-	-	**1,548,789**
Furniture and equipment, net	476,544	-	563,262	-	-	-	**1,039,806**
Building, net	1,129,264	-	3,266,528	-	-	-	**4,395,792**
Land Improvement, net	152,694	-	629,936	-	-	-	**782,630**
Land	220,409	-	-	-	-	-	**220,409**
Deferred financing costs, net	-	13,605,940	477,218	142,878	-	-	**14,226,036**
Due from (to) other funds	(12,036,383)	12,100,013	(49,630)	(9,000)	-	(5,000)	**-**
Total Noncurrent Assets	62,487,378	1,804,359,932	83,221,859	28,855,830	9,886,449	13,444,417	**2,002,255,865**
Total Assets	73,824,840	2,212,385,340	101,160,386	30,443,150	11,980,712	14,217,367	**2,444,011,795**
Liabilities							
Current Liabilities							
Bonds payable	-	98,930,000	2,395,000	100,510	2,094,257	235,000	**103,754,767**
Accrued interest payable	-	13,100,955	397,766	133,468	-	229,866	**13,862,055**
Accounts payable and other liabilities	2,095,140	728,798	-	-	-	98,796	**2,922,734**
Multifamily escrows and reserves	20,541,887	-	-	254,858	-	132,680	**20,929,425**
Total Current Liabilities	22,637,027	112,759,753	2,792,766	488,836	2,094,257	696,342	**141,468,981**
Noncurrent Liabilities							
Bonds payable	-	1,791,897,315	44,736,369	29,706,411	9,886,449	13,370,000	**1,889,596,544**
Accounts payable and other liabilities	763,250	8,119,346	-	-	-	-	**8,882,596**
Total Noncurrent Liabilities	763,250	1,800,016,661	44,736,369	29,706,411	9,886,449	13,370,000	**1,898,479,140**
Total Liabilities	23,400,277	1,912,776,414	47,529,135	30,195,247	11,980,706	14,066,342	**2,039,948,121**
Net Assets							
Invested in Capital Assets, net of related debt	1,041,955	-	-	-	-	-	**1,041,955**
Restricted by Bond Indentures	5,725,155	299,608,926	53,631,251	247,903	6	151,025	**359,364,266**
Restricted by HOME Program	43,657,453	-	-	-	-	-	**43,657,453**
Total Net Assets	$ 50,424,563	$ 299,608,926	$ 53,631,251	$ 247,903	$ 6	$ 151,025	**$ 404,063,674**

Operating Revenues	General Operating Account	Homeownership Mortgage Program 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	$ 380,388	$ 76,821,164	$ 2,720,407	$ -	$ -	$ -	**$ 79,921,959**
Interest on guaranteed mortgage securities	-	-	-	620,692	710,190	731,425	**2,062,307**
Interest on investments	254,456	23,995,766	2,513,749	31,518	(29)	36,377	**26,831,837**
Net increase in fair value of investments	31,674	5,278,403	891,794	12,727	-	-	**6,214,598**
HUD contributions	25,605,602	-	-	-	-	-	**25,605,602**
Fee, grant and other income	7,386,177	155,685	-	-	-	-	**7,541,862**
Total Operating Revenues	33,658,297	106,251,018	6,125,950	664,937	710,161	767,802	**148,178,165**
Operating Expenses							
Interest	-	82,744,299	2,112,903	628,965	710,215	761,069	**86,957,451**
Housing assistance payments	23,096,676	-	-	-	-	-	**23,096,676**
Servicer and other fees	-	9,445,424	-	-	-	-	**9,445,424**
General and administrative	4,547,354	583,467	386,038	-	-	-	**5,516,859**
Amortization of deferred financing costs	-	1,940,885	79,544	6,588	-	-	**2,027,017**
Other housing programs	4,451,633	97,972	-	-	-	-	**4,549,605**
Total Operating Expenses	32,095,663	94,812,047	2,578,485	635,553	710,215	761,069	**131,593,032**
Net Income Before Interfund Transfers	1,562,634	11,438,971	3,547,465	29,384	(54)	6,733	**16,585,133**
Interfund Transfers	-	-	-	-	-	-	**-**
Changes in net assets	1,562,634	11,438,971	3,547,465	29,384	(54)	6,733	**16,585,133**
Net Assets, beginning of year	48,861,929	288,169,955	50,083,786	218,519	60	144,292	**387,478,541**
Net Assets, end of year	$ 50,424,563	$ 299,608,926	$ 53,631,251	$ 247,903	$ 6	$ 151,025	**$ 404,063,674**