Indiana Housing & Community Development Authority

A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2015

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE STATE OF INDIANA

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Independent Auditors' Report

Board of Directors
Indiana Housing and Community Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Indiana Housing and Community Development Authority, a component unit of the State of Indiana, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Indiana Housing and Community Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Indiana Housing and Development Authority as of December 31, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedules of the authority's proportionate share of the net pension liability and of the authority's contributions on pages 37 and 38 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016, on our consideration of the Indiana Housing and Community 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Indiana Housing and Community Development Authority's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2015

Management's discussion and analysis of the Indiana Housing and Community Development Authority's (the Authority) financial performance provides an overview of the financial activities for the year ended December 31, 2015. This information is being presented to provide additional information regarding the activities of the Authority. The management's discussion and analysis should be read in conjunction with the independent auditors' report, financial statements and accompanying notes. Notes to the financial statements provide additional information that is essential to a full understanding of the information contained within the financial statements.

Introduction – The Indiana Housing and Community Development Authority

The Authority was created in 1978 as a public body corporate and politic of the State of Indiana (the State). The Authority is entirely self-supporting and does not draw upon the general taxing authority of the State. The Authority has been given certain powers, including the power to enter into contracts and agreements, acquire, hold and convey property, and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate income. The Authority's funding comes from a variety of sources, including sales of its own securities to private investors, grants from the Federal government, program fees, investment interest earnings and interest earned on loan portfolios.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The financial transactions of the Authority are recorded in the funds that consist of a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows of resources, net position, revenues and expenses as appropriate. The Authority follows enterprise fund reporting. The Authority is considered a component unit of the State and is discretely presented in the State's financial statements.

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position of the Authority. Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow this section.

Overview of the Financial Statements

The basic financial statements include the *Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows*. These statements provide current and long-term information about the Authority and its activities.

The *Statement of Net Position* answers the question, "How was our financial health at the end of the year?" This statement provides information about the financial position of the Authority at a specific date. The organization of the statement separates assets and liabilities into current and non-current balances. The statement shows the totals of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgages and loans, externally funded programs and other revenue sources. This statement also helps answer the question "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows* is to provide information about the Authority's cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. It provides answers to such questions as "Where did the cash come from?"; "What was the cash used for?" and "What was the change in cash balance during the reporting period?"

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

The financial statements present the activities of the Authority's General Fund, Program Fund, Single Family Fund, Home First Fund, and the Mortgage Backed Security Pass-thru Fund. See Note 1 for a complete description of each of these funds.

Financial Highlights

The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions* (GASB No. 68). GASB No. 68 requires the Authority to measure and recognize assets and liabilities, deferred outflows and inflows, and expenses for the pension obligation as a participating employer in the Indiana Public Retirement System (INPRS). The adoption of GASB No. 68 resulted in a restatement of net position as of December 31, 2014, resulting in a decrease of net position of $1,864,939 from balances previously reported, comprised of a noncurrent net pension liability of $2,409,291, deferred outflows of resources of $1,023,393, and deferred inflows of resources of $479,041 related to the pension. At December 31, 2015, the Authority had a net pension liability of $3,775,580, deferred outflows of resources of $1,927,022, and deferred inflows of resources of $362,887 related to the pension.

The following is a reconciliation of net position at December 31, 2014:

Net position at December 31, 2014, as previously reported	$418,176,633
Decrease in net position due to adoption of GASB No. 68	(1,864,939)
Net Position at December 31, 2014, as Restated	$416,311,694

The following is a reconciliation of operating income for 2014:

Operating income for 2014, as previously reported	$33,607,625
Increase in net position due to adoption of GASB No. 68	68,639
Operating Income for 2014, as Restated	$33,676,264

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2015

The following is a comparative analysis between years for the Statements of Net Position:

	2015 Total	Restated 2014 Total	Change	%
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted	$ 48,517,702	$ 56,368,590	$ (7,850,888)	-14%
Restricted	136,395,853	169,646,913	(33,251,060)	-20%
Accrued interest receivable:				
Investments	763,677	917,269	(153,592)	-17%
Investments held against bonds	1,598,704	1,947,099	(348,395)	-18%
Accounts and loans receivable, net	10,539,778	16,154,833	(5,615,055)	-35%
Other assets	2,144,645	1,947,703	196,942	10%
Total Current Assets	199,960,359	246,982,407	(47,022,048)	-19%
NONCURRENT ASSETS				
Investments:				
Unrestricted	160,522,006	142,193,506	18,328,500	13%
Restricted	23,400,943	23,712,179	(311,236)	-1%
Investments held against bonds	477,562,799	578,711,924	(101,149,125)	-17%
Accounts and loans receivable, net	74,297,554	48,417,891	25,879,663	53%
Capital assets, at cost, less accumulated depreciation	2,523,327	2,881,215	(357,888)	-12%
Total Noncurrent Assets	738,306,629	795,916,715	(57,610,086)	-7%
TOTAL ASSETS	938,266,988	1,042,899,122	(104,632,134)	-10%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension costs	1,927,022	1,023,393	903,629	88%
Accumulated decrease in fair value of hedging derivative	3,440,095	4,388,214	(948,119)	-22%
Deferred refunding costs	3,766,915	4,708,878	(941,963)	-20%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,134,032	10,120,485	(986,453)	-10%
CURRENT LIABILITIES				
Bonds payable	9,245,000	9,585,000	(340,000)	-4%
Accrued interest payable	4,386,990	5,671,961	(1,284,971)	-23%
Unearned revenue	46,644,009	60,094,406	(13,450,397)	-22%
Accounts payable and other liabilities	7,111,021	5,164,013	1,947,008	38%
Total Current Liabilities	67,387,020	80,515,380	(13,128,360)	-16%
NONCURRENT LIABILITIES				
Bonds payable	446,697,605	541,058,915	(94,361,310)	-17%
Add original issue premium	5,635,927	7,378,074	(1,742,147)	-24%
Less original issue discount	(5,564)	(6,600)	1,036	-16%
Net Noncurrent Bonds Payable	452,327,968	548,430,389	(96,102,421)	-18%
Derivative instrument - interest rate swap	3,440,095	4,388,214	(948,119)	-22%
Pension liability	3,775,580	2,409,291	1,366,289	57%
Other liabilities	365,220	485,598	(120,378)	-25%
Total Noncurrent Liabilities	459,908,863	555,713,492	(95,804,629)	-17%
TOTAL LIABILITIES	527,295,883	636,228,872	(108,932,989)	-17%
DEFERRED INFLOWS OF RESOURCES				
Deferred pension revenue	362,887	479,041	(116,154)	100%
NET POSITION				
Net investment in capital assets	2,523,327	2,881,215	(357,888)	-12%
Restricted	205,098,432	212,248,776	(7,150,344)	-3%
Unrestricted	212,120,491	201,181,703	10,938,788	5%
TOTAL NET POSITION	$ 419,742,250	$ 416,311,694	$ 3,430,556	1%

Total assets decreased by $104.6 million or 10 percent. The primary reason for this decrease was due to investments held against bonds. This comprised $101.1 million of the aforementioned decrease, which was primarily the result of bond redemptions and the net decrease in fair value of investments.

The deferred outflows of resources decreased $1.0 million due to the adjustment in the fair value of the 2008 Series A-2 interest rate swap of $0.9 million combined with the amortization of the deferred refunding costs of $0.9 million, offset by an increase in the deferred pension cost of $0.9 million.

Total liabilities decreased $108.9 million. Current liabilities decreased $13.1 million while noncurrent liabilities decreased $95.8 million. The overall decrease in liabilities was primarily comprised of a bonds payable decrease of $94.7 million between years

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $419.7 million at December 31, 2015.

Total net position at December 31, 2015 and 2014, was as follows (in millions of dollars):

	2015	**2014**
Assets and deferred outflows of resources	$947.4	$1,053.0
Liabilities and deferred inflows of resources	527.7	636.7
Net Position	$419.7	$ 416.3

Operating Analysis

The following is a comparative analysis between years of the Statements of Revenues, Expenses and Changes in Net Position:

	2015 Total	Restated 2014 Total	Change	%
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 14,578,371	$ 13,712,303	$ 866,068	6%
Investments held against bonds	21,456,849	25,673,402	(4,216,553)	-16%
Fee income	4,405,741	4,351,611	54,130	1%
Program income	386,493,487	372,211,352	14,282,135	4%
Net increase (decrease) in fair value of investments	(10,756,278)	20,287,811	(31,044,089)	-153%
Other income	1,084,092	802,912	281,180	35%
Total Operating Revenues, Gains and Losses	417,262,262	437,039,391	(19,777,129)	-5%
OPERATING EXPENSES				
Investment expense	8,713,801	7,306,881	1,406,920	19%
Interest expense	19,273,454	23,486,846	(4,213,392)	-18%
Issuance costs		380,693	(380,693)	-100%
Program expenses	365,872,557	353,989,821	11,882,736	3%
Arbitrage (income) expense	(80,529)	12,919	(93,448)	-723%
General and administrative expenses	20,089,621	18,185,967	1,903,654	10%
Total Operating Expenses	413,868,904	403,363,127	10,505,777	3%
Operating Income	3,393,358	33,676,264	(30,282,906)	-90%
TRANSFERS				
Transfers from outside sources	37,198	63,881	(26,683)	-42%
CHANGE IN NET POSITION	3,430,556	33,740,145	(30,309,589)	-90%
NET POSITION				
Beginning of Year, Restated	416,311,694	382,571,549	33,740,145	9%
End of Year	$ 419,742,250	$ 416,311,694	$ 3,430,556	1%

In 2015, total operating revenues were $417.3 million, which includes federal and state program income of $386.5 million, interest income on investments of $36.0 million, a decrease in the fair value of investments of $10.7 million, and $5.5 million in fee and other income. This compares to $437.0 million of total operating revenues in 2014. The overall decrease in revenue of $19.8 million is mostly due to the changes in the fair value adjustment for investments of $31.0 million and interest income of $3.3 million, offset by increases in the federal program funding of $14.2 million, primarily from the Hardest Hit Fund and Low-Income Home Energy Assistance Program.

Interest income on investments and fee income represent additional sources of operating revenue for the Authority. Interest income includes amounts earned on investments of $14.6 million and on investments held against bonds of $21.5 million for 2015 and $13.7 million and $25.7 million, respectively, for 2014. These components decreased in 2015 compared to 2014 by a combined $3.3 million primarily due to the reduction in holdings.

Total operating expenses in 2015 were $413.9 million, which includes $365.9 million of federal and state program expenses, $19.3 million of interest expense on bonds, $20.1 million of general and administrative expense, and $8.7 million in investment expense.

Total operating expenses of the $413.9 million for the current year increased by $10.5 million compared to the $403.4 million in the prior year. This was primarily due to the increase in program expense between the years of $11.9 million, of which the majority was attributable to the Hardest Hit Fund and the Low-Income Home Energy Assistance Program. The increase in general and administrative expenses of $1.9 million was also due to the Hardest Hit Fund, and together with the increase in program expense corresponded to the increase in program income between years.

Total Operating Income for 2015 and 2014 was as follows (in millions of dollars):

	2015	**2014**
Operating revenues, gains and losses	$417.3	$437.0
Operating expenses	413.9	403.4
Operating Income	$ 3.4	$ 33.7

GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) requires the Authority's investments to be reported at fair value. The change in the fair value of investments is an unrealized gain or loss in market value and has no direct effect on actual cash flows of the Authority. The related adjustment should be tempered with the understanding that the underlying assets primarily are not readily marketable due to their relationship with the bond indentures. The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net decrease of $10.8 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2015 was $14.1 million resulting in a net increase in the change in net position of $0.8 million between years.

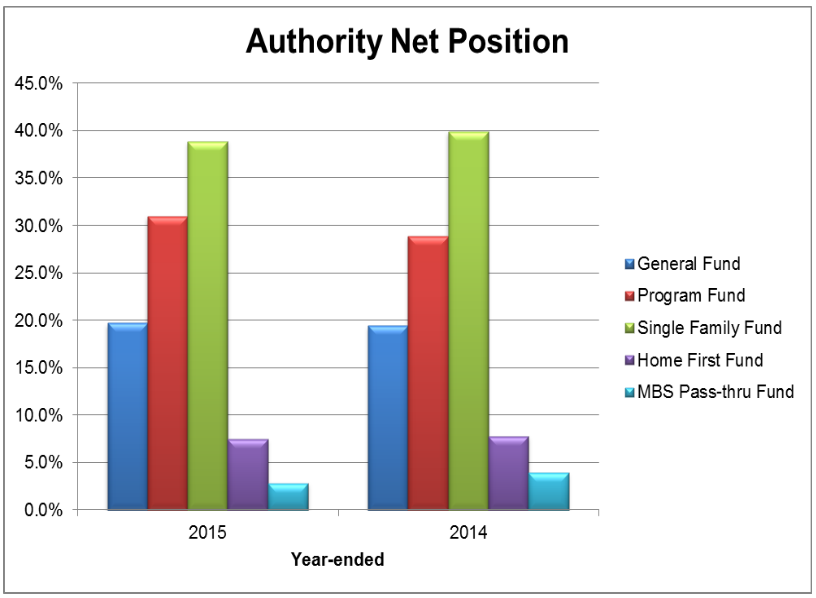
	2015	**2014**	**Change**	**%**
Operating income	$ 3,393,358	$33,676,264	$(30,282,906)	-90%
Net increase (decrease) in fair value of investments	(10,756,278)	20,287,811	(31,044,089)	-153%
Change in net position without the GASB No. 31 adjustment	$ 14,149,636	$13,388,453	$ 761,183	6%

Financial Condition

The Authority operates within financial policies and guidelines set by the members of its Board of Directors. These guidelines require the Authority to maintain adequate liquid asset levels, good mortgage portfolio performance and a sufficient level of unrestricted assets. Net position at December 31, 2015, consisted of $205.1 million restricted by funding sources, $212.1 million unrestricted and available to meet the obligations of the Authority's operations, and $2.5 million net investment in capital assets. Unrestricted net position increased $10.9 million or 5 percent, restricted net position decreased $7.2 million or 3 percent, net investment in capital assets decreased $0.4 million or 12 percent from the prior year end.

The change in restricted assets was primarily due to the decrease in Single Family Fund restricted cash and cash equivalents.

The graph below illustrates the comparative distribution of the net position between the funds:



Capital Assets

As of December 31, 2015 and 2014, the Authority had $2.5 million and $2.9 million, respectively invested in capital assets, primarily computer software and hardware. During 2015 and 2014, the Authority had purchases of $0.1 million and $0.5 million, respectively, and depreciation expense of $0.5 million and $0.5 million, respectively.

Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium or discount, as of December 31, 2015, was $455.9 million, which decreased $94.7 million compared to $550.6 million as of December 31, 2014. This decrease was due to the $94.7 million of maturities and redemptions of bonds previously issued by the Authority. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch Ratings. (The Home First Bond Indenture is only rated by Moody's and the MBS Pass-Thru Indenture is only rated by Fitch.) More detailed information about the Authority's debt is presented in Note 5 to the financial statements.

There were no mortgage revenue bond issuances in 2015.

Economic Factors and Other Financial Information

The primary business activity of the Authority is funding the purchase of single-family home mortgages and administering various federal programs. The Authority's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on Authority loans and those available in the conventional mortgage markets and the availability of affordable housing. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's single-family programs and investment income are the main sources of revenues. Market interest rates have an effect on both the single family program and investment income revenues. If interest rates continue at current levels, the Authority expects single family and investment income to be stable. If interest rates rise, the Authority expects single family and investment income to increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, the Authority expects single family and investment income to decrease as new loans are originated and new investments are purchased at the lower rates. The Authority also expects a drop in market rates to cause an increase in prepayments on higher rate mortgages. The Authority uses these prepayments to call the corresponding series bonds, which lowers the rate of return on those bond series.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Indiana, our constituents and investors with a general overview of the Authority's finances and resources. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Indiana Housing and Community Development Authority, 30 South Meridian Street Suite 1000, Indianapolis, IN 46204 or visit our website at www.in.gov/ihcda/.

BASIC FINANCIAL STATEMENTS

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORUTY
STATEMENT OF NET POSITION
December 31, 2015

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2015 Total
CURRENT ASSETS						
Cash and cash equivalents:						
Unrestricted	$ 29,846,518		$ 18,671,184			$ 48,517,702
Restricted	1,974,242	$ 99,877,149	23,665,960	$ 10,858,638	$ 19,864	136,395,853
Accrued interest receivable:						
Investments	267,853		455,749	40,075		763,677
Investments held against bonds			591,226	495,933	511,545	1,598,704
Accounts and loans receivable, net	1,047,820	9,491,958				10,539,778
Other assets		2,144,645				2,144,645
Total Current Assets	33,136,433	111,513,752	43,384,119	11,394,646	531,409	199,960,359
NONCURRENT ASSETS						
Investments:						
Unrestricted	47,530,495		112,991,511			160,522,006
Restricted			10,485,129	12,915,814		23,400,943
Investments held against bonds			153,611,671	182,661,082	141,290,046	477,562,799
Accounts and loans receivable, net	236,164	74,061,390				74,297,554
Capital assets, at cost, less accumulated depreciation	2,407,868	115,459				2,523,327
Interfund accounts	3,777,793	(3,777,793)				
Total Noncurrent Assets	53,952,320	70,399,056	277,088,311	195,576,896	141,290,046	738,306,629
TOTAL ASSETS	87,088,753	181,912,808	320,472,430	206,971,542	141,821,455	938,266,988
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension costs	1,927,022					1,927,022
Accumulated decrease in fair value of hedging derivative			3,440,095			3,440,095
Deferred refunding costs					3,766,915	3,766,915
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,927,022	-	3,440,095	-	3,766,915	9,134,032
CURRENT LIABILITIES						
Bonds payable			2,985,000	6,260,000		9,245,000
Accrued interest payable			3,572,653	$438,837	$375,500	4,386,990
Unearned revenue	37,400	46,606,609				46,644,009
Accounts payable and other liabilities	1,974,242	5,136,779				7,111,021
Total Current Liabilities	2,011,642	51,743,388	6,557,653	6,698,837	375,500	67,387,020
NONCURRENT LIABILITIES						
Bonds payable			150,160,000	166,600,000	129,937,605	446,697,605
Add original issue premium			53,236	2,239,140	3,343,551	5,635,927
Less original issue discount				(5,564)		(5,564)
Net Noncurrent Bonds Payable	-	-	150,213,236	168,833,576	133,281,156	452,327,968
Derivative instrument - interest rate swap			3,440,095			3,440,095
Pension liability	3,775,580					3,775,580
Other liabilities			365,220			365,220
Total Noncurrent Liabilities	3,775,580	-	154,018,551	168,833,576	133,281,156	459,908,863
TOTAL LIABILITIES	5,787,222	51,743,388	160,576,204	175,532,413	133,656,656	527,295,883
DEFERRED INFLOWS OF RESOURCES						
Deferred pension revenue	362,887					362,887
NET POSITION						
Net investment in capital assets	2,407,868	115,459				2,523,327
Restricted		130,053,961	31,673,628	31,439,129	11,931,714	205,098,432
Unrestricted	80,457,798		131,662,693			212,120,491
TOTAL NET POSITION	$ 82,865,666	$ 130,169,420	$ 163,336,321	$ 31,439,129	$ 11,931,714	$ 419,742,250

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2015

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2015 Total
OPERATING REVENUES, GAINS AND LOSSES						
Interest income						
Investments	$ 13,612,449	$ 1,290	$ 825,466	$ 139,166		$ 14,578,371
Investments held against bonds			8,415,615	6,730,181	$ 6,311,053	21,456,849
Fee income	4,138,439	267,302				4,405,741
Program income		386,493,487				386,493,487
Net increase (decrease) in fair value of investments	426,441		(5,177,832)	(1,783,804)	(4,221,083)	(10,756,278)
Other income	383,625	700,467				1,084,092
Total Operating Revenues, Gains and Losses	18,560,954	387,462,546	4,063,249	5,085,543	2,089,970	417,262,262
OPERATING EXPENSES						
Investment expense	8,713,801					8,713,801
Interest expense			7,701,765	5,675,867	5,895,822	19,273,454
Program expenses	48,433	365,824,124				365,872,557
Arbitrage (income) expense			(80,529)			(80,529)
General and administrative expenses	6,111,247	12,676,540	732,206	555,128	14,500	20,089,621
Total Operating Expenses	14,873,481	378,500,664	8,353,442	6,230,995	5,910,322	413,868,904
Operating Income (Loss)	3,687,473	8,961,882	(4,290,193)	(1,145,452)	(3,820,352)	3,393,358
TRANSFERS						
Interfund transfers	(201,260)	293,344	643,127		(735,211)	
Transfers from outside sources		37,198				37,198
CHANGE IN NET POSITION	3,486,213	9,292,424	(3,647,066)	(1,145,452)	(4,555,563)	3,430,556
NET POSITION						
Beginning of Year, Restated	79,379,453	120,876,996	166,983,387	32,584,581	16,487,277	416,311,694
End of Year	$ 82,865,666	$ 130,169,420	$ 163,336,321	$ 31,439,129	$ 11,931,714	$ 419,742,250

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2015 Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts for services	$ 3,580,733					$ 3,580,733
Program revenue		$ 353,582,686				353,582,686
Principal received on loans receivable	193,746					193,746
Program expenses		(376,094,648)				(376,094,648)
Cash payments to suppliers	(1,933,548)		$ (732,206)	$ (555,128)	$ (14,500)	(3,235,382)
Cash payments to employees	(3,187,344)					(3,187,344)
Net Cash Used by Operating Activities	(1,346,413)	(22,511,962)	(732,206)	(555,128)	(14,500)	(25,160,209)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Repayments and redemption of bonds and bank loans			(46,120,000)	(21,180,000)	(27,401,309)	(94,701,309)
Interest paid on bonds and bank loans			(8,855,916)	(5,726,738)	(5,033,808)	(19,616,462)
Transfers	(201,260)	330,542	643,127		(735,211)	37,198
Net Cash Provided (Used) by Noncapital Financing Activities	(201,260)	330,542	(54,332,789)	(26,906,738)	(33,170,328)	(114,280,573)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchases of capital assets	(63,534)	(55,510)				(119,044)
Net Cash Used by Capital Financing Activities	(63,534)	(55,510)	-	-	-	(119,044)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales or maturities of investments	61,284,159		8,888,804	1,776,592		71,949,555
Principal received on investments held against bonds			41,491,936	20,649,777	27,402,108	89,543,821
Interest received on investments held against bonds			8,021,338	6,359,099	5,683,694	20,064,131
Interest received on investments	13,592,200	1,290	989,608	148,865		14,731,963
Purchases of investments	(64,165,386)		(17,164,501)	(8,043,240)		(89,373,127)
Investment expenses	(8,458,465)					(8,458,465)
Net Cash Provided by Investing Activities	2,252,508	1,290	42,227,185	20,891,093	33,085,802	98,457,878
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	641,301	(22,235,640)	(12,837,810)	(6,570,773)	(99,026)	(41,101,948)
CASH AND CASH EQUIVALENTS						
Beginning of Year	31,179,459	122,112,789	55,174,954	17,429,411	118,890	226,015,503
End of Year	$ 31,820,760	$ 99,877,149	$ 42,337,144	$ 10,858,638	$ 19,864	$ 184,913,555
CASH AND CASH EQUIVALENTS						
Cash	$ 55,236	$ 88,872,551	$ 182,642		$ 27	$ 89,110,456
Money market investments	31,765,524	11,004,598	42,154,502	$ 10,858,638	19,837	95,803,099
	$ 31,820,760	$ 99,877,149	$ 42,337,144	$ 10,858,638	$ 19,864	$ 184,913,555

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2015

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2015 Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income (loss)	$ 3,687,473	$ 8,961,882	$ (4,290,193)	$ (1,145,452)	$ (3,820,352)	$ 3,393,358
Adjustments to reconcile operating income (loss) to cash used by operating activities:						
Net increase (decrease) in fair value of investments	(426,441)		5,177,832	1,783,804	4,221,083	10,756,278
Principal received on loans receivable	193,746					193,746
Interest income on investments	(13,612,449)	(1,290)	(825,466)	(139,166)		(14,578,371)
Interest income on investments held against bonds			(8,415,615)	(6,730,181)	(6,311,053)	(21,456,849)
Investment expense	8,713,801					8,713,801
Depreciation	450,947	25,985				476,932
Interest expense			7,701,765	5,675,867	5,895,822	19,273,454
Changes in certain assets, deferred outflows, liabilities, and deferred inflows:						
Accounts and loans receivable	(854,258)	(20,318,304)				(21,172,562)
Other assets		(196,942)				(196,942)
Deferred pension costs	(903,629)					(903,629)
Unearned revenue	(87,073)	(13,363,324)				(13,450,397)
Accounts payable and other liabilities	241,335	2,380,031	(80,529)			2,540,837
Pension liability	1,366,289					1,366,289
Deferred pension revenue	(116,154)					(116,154)
Net Cash Used by Operating Activities	$ (1,346,413)	$ (22,511,962)	$ (732,206)	$ (555,128)	$ (14,500)	$ (25,160,209)

See accompanying notes.

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS

The Indiana Housing and Community Development Authority (the Authority) was created in 1978 by an act of the Indiana Legislature (the Act). The Authority has been given numerous powers under the Act, including the power to enter into contracts and agreements, acquire, hold and convey property and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate incomes.

The powers of the Authority are vested by the Act in seven members who constitute the Board of Directors, four of whom are appointed by the Governor of Indiana and three of whom serve by virtue of holding other Indiana state offices. The three ex-officio members are the Lieutenant Governor, the State Treasurer, and the Public Finance Director of the State of Indiana. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's financial statements.

The Act empowers the Authority to (1) make or participate in the making of construction loans and mortgage loans to sponsors of federally assisted multi-family residential housing; (2) purchase or participate in the purchase from mortgage lenders, mortgage loans made to persons of low and moderate income for residential housing; and (3) make loans to mortgage lenders for the purpose of furnishing funds to be used for making mortgage loans to persons and families of low and moderate incomes. The Act authorizes the Authority to issue its bonds and notes to carry out its purposes, and neither the Act nor the Bond Trust Indentures establish any limitation as to the aggregate amount of obligations which the Authority may have outstanding.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purposes under powers granted to it by the Act. The financial transactions of the Authority are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, net position, revenues and expenses, as appropriate. The Authority's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled

Each of the Authority's funds described below is considered a major fund.

General Fund

The General Fund was established by the Authority to account for all fee income and charges that are not required to be recorded in other funds and for operating expenses of the Authority.

Program Fund

The Program Fund accounts for grant and loan activity related to various federal and state programs administered by the Authority.

Single Family, Home First and MBS Pass-thru Funds

The Single Family, Home First and MBS Pass-thru Funds are bond indentures which use bond proceeds to fund the Single Family Mortgage Programs (the Mortgage Programs).

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS (CONTINUED)

The Mortgage Programs provide for the purchase of mortgage loans made to eligible borrowers for owner occupied housing which are then securitized into GNMA, FNMA or FHLMC certificates (collectively MBS). Borrowers meeting certain income guidelines may qualify under the Authority's down payment assistance programs.

Commencing in June 1980, the Authority entered into mortgage purchase agreements with certain commercial banks, savings and loan associations and mortgage banking companies admitted to do business in the State of Indiana whereby the lenders agreed to originate mortgage loans on newly constructed and existing dwellings meeting criteria established by the Authority and to sell them to the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Authority's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The Authority accounts for all of its activity as a proprietary fund which includes business-type activities that are financed in whole or in part by fees charged to external parties.

Measurement Focus and Basis of Accounting

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncement

The Authority adopted GASB No. 68, *Accounting and Financial Reporting for Pensions*, during 2015. The statement requires the Authority to measure and recognize assets and liabilities, deferred outflows and inflows, and expenses for the pension obligation as a participating employer in the Indiana Public Retirement System (INPRS). The adoption of the statement resulted in a restatement of net position as of December 31, 2014, resulting in a decrease of net position of $1,864,939 from balances previously reported, comprised of a noncurrent net pension liability of $2,409,291, deferred outflows of resources of $1,023,393, and deferred inflows of resources of $479,041 related to the pension.

The following is a reconciliation of net position at December 31, 2014:

Net position at December 31, 2014, as previously reported	$418,176,633
Decrease in net position due to adoption of GASB No. 68	(1,864,939)
Net Position at December 31, 2014, as Restated	$416,311,694

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less.

Investment Securities

The Authority reports its investments securities, including MBS, at fair value. Fair value is the amount at which an investment could be exchanged in a current, orderly transaction based on quoted market prices of the investment or similar investments. Interest income is recorded on the accrual basis. Realized gains and losses on the sale of investments are determined using the specific-identification method. Changes in the fair value of investments are reported in the Statement of Revenues, Expenses and Changes in Net Position.

Following is a summary of the effects of valuing investment securities at fair value on total assets and deferred outflows, net position and operating income (loss) as of and for the year ended December 31, 2015:

	Total Assets and Deferred Outflows	
	Fair Value	**Cost**
General Fund	$ 89,015,775	$ 89,267,757
Program Fund	181,912,808	181,912,808
Single Family Fund	323,912,525	310,616,297
Home First Fund	206,971,542	201,640,954
MBS Pass-thru Fund	145,588,370	134,238,089
Total Assets and Deferred Outflows	$947,401,020	$917,675,905

	Net Position	
	Fair Value	**Cost**
General Fund	$ 82,865,666	$ 83,117,648
Program Fund	130,169,420	130,169,420
Single Family Fund	163,336,321	150,040,093
Home First Fund	31,439,129	26,108,541
MBS Pass-thru Fund	11,931,714	581,433
Total Net Position	$419,742,250	$390,017,135

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment Securities (Continued)

	Operating Income (Loss) Fair Value	Cost
General Fund	$ 3,687,473	$ 3,261,032
Program Fund	8,961,882	8,961,882
Single Family Fund	(4,290,193)	887,639
Home First Fund	(1,145,452)	638,352
MBS Pass-thru Fund	(3,820,352)	400,731
Total Operating Income (Loss)	$ 3,393,358	$14,149,636

Accounts and Loans Receivable

Accounts and loans receivable consist primarily of forgivable and nonforgivable loans made to subrecipients as part of federal and state programs, forgivable loans provided to individuals for down payment assistance, and reimbursements due from other governments for amounts billed or billable for expenditures incurred or services provided. The Authority considers all forgivable loans to be uncollectible and reserves the entire balances in the allowance for uncollectible loans. Any additional allowance for uncollectible accounts or loans is determined by periodic management review based upon historical losses, specific circumstances, and general economic conditions.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. The Authority is in the practice of capitalizing fixed asset purchases over $5,000 into capital assets. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from three to ten years.

A summary of capital assets activity (in thousands) for 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Building improvements	$ 45			$ 45
Furniture and equipment	336			336
Computer software	6,818	$ 11		6,829
Computer hardware	916	108		1,024
Total accumulated depreciation	(5,234)	(477)		(5,711)
Total Capital Assets, Net of Accumulated Depreciation	$ 2,881	$(358)	$ -	$ 2,523

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

The Authority reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section of its Statement of Net Position.

Deferred Inflows of Resources

The Authority's Statement of Net Position reports a separate section for deferred inflows of resources, which reflects an increase in net assets that applies to future periods.

Pension Plan

The employees of the Authority participate in the Indiana Public Retirement System (INPRS). The Authority recognizes its proportionate share of the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense. Deferred outflows and inflows represent changes in the Authority's allocated proportion from the previous year; differences between the Authority's contributions to the Plan and its proportionate share, actual Plan investment earnings and expected amounts, and expected and actual experience on the Plan included in determining pension expense; and the impact of changes in assumptions on the net pension liability, all of which are being amortized into pension expense over four and a half years. Deferred outflows of resources also includes contributions made to the Plan between the Plan's measurement date for the net pension liability and the end of the Authority's fiscal year.

Interest Rate Swap

The Authority uses an interest rate swap to protect against the potential of rising interest rates. The interest rate swap is reported at fair value on the Statement of Net Position; however, changes in fair value are deferred until the termination or expiration of the instrument. The accumulated decrease in the fair value of the interest rate swap is reported as a deferred outflow of resources.

Deferred Refunding Costs

In 2012, the Authority issued 2012 series bonds under the MBS Pass-thru Fund, the proceeds from which were used to redeem bonds with an outstanding swap agreement. As part of the swap termination upon the bond redemption, the Authority was required to pay swap termination fees of $9,114,000 to the counterparty. In accordance with GASB No. 53, the Authority capitalized amounts paid in connection with the swap termination fees and is amortizing the balance ratable in proportion to 2012 series redeemed during the year. Accumulated amortization of refunding costs was $5,347,085 at December 31, 2015, and amortization expense, which is reported as part of interest expense, was $941,963 for the year then ended.

Original Issue Premiums and Discounts

Original issue premiums and discounts on bonds are amortized using a method that approximates the effective interest method over the life of the bonds to which they relate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The carrying values of the Authority's financial instruments either approximate fair value or are fair value, except for bonds payable. It is not practicable to estimate the fair value of the Authority's bonds payable because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

Net Position

The Authority's resources are classified for accounting and financial reporting purposes into the following net position categories:

- *Net investment in capital assets* – resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted* – net positions subject to externally imposed stipulations as to use.
- *Unrestricted* – net positions which are available for use of the Authority.

Use of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Overdraws of Section 8 Housing Assistance

HUD Notice PIH 2006-03 and subsequent interpretive guidance issued by HUD requires Section 8 voucher funds to be reported as restricted net position in the Financial Data Schedule filings. Therefore, the Authority includes Section 8 overdraws in net positions as restricted.

Operating Revenues

The Authority records all revenues derived from mortgages, investment income and federal programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose.

Program Income

Program income is recognized as earned as the eligible expenses are incurred or activities are completed. Funding received in advance of being earned are recognized as unearned revenue. Program expenditures are subject to audit and acceptance by the granting agency and, because of such audit, adjustments could be required.

Fee Income

Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Rental Housing Tax Credit fees are recognized as applications are submitted. The Authority also receives certain administrative fees for a federal grant program that are recorded as earned.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Allocation of Expenses Among Funds

The Program, Single Family, Home First and MBS Pass-thru Funds provide that funds may be transferred to the General Fund for the purpose of paying reasonable and necessary program expenses.

Subsequent Events

The Authority has evaluated the financial statements for subsequent events occurring through April 29, 2016, the date the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	Total
Current:						
Cash and cash equivalents:						
Unrestricted	$ 29,846,518		$ 18,671,184			$ 48,517,702
Restricted	1,974,242	$ 99,877,149	23,665,960	$ 10,858,638	$ 19,864	136,395,853
Total Current Cash and Cash Equivalents	31,820,760	99,877,149	42,337,144	10,858,638	19,864	184,913,555
Noncurrent:						
Investments:						
Unrestricted	47,530,495		112,991,511			160,522,006
Restricted			10,485,129	12,915,814		23,400,943
Investments held against bonds			153,611,671	182,661,082	141,290,046	477,562,799
Total Noncurrent Investments	47,530,495	-	277,088,311	195,576,896	141,290,046	661,485,748
Total Cash, Cash Equivalents and Investments	$ 79,351,255	$ 99,877,149	$319,425,455	$206,435,534	$141,309,910	$846,399,303

Cash, cash equivalents and investments held by the Authority as of December 31, 2015 were as follows:

	Fair Value	Cost
Cash	$ 89,110,456	$ 89,110,456
Money market fund shares	95,803,099	95,803,099
Federal agency obligations	179,110,137	180,350,739
Federal agency obligations held against bonds	477,562,799	446,592,760
Municipal bonds	4,812,812	4,817,134
Total Cash, Cash Equivalents and Investments	$846,399,303	$816,674,188

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Policy

General

Indiana Code 5-20-1 authorizes the Authority to invest in obligations of the United States or any of its component states, or their agencies or instrumentalities and such other obligors as may be permitted under the terms of any resolution authorizing the issuance of the Authority's obligations.

Indentures

The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States or any of its component states, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2015, all investments held by the Authority were in compliance with the requirements of the Indentures.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rate. The Authority's investment policy does not restrict investment maturities. As of December 31, 2015, the Authority had the following investments and maturities (in thousands):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Money market fund shares	$ 95,803	$95,803			
Federal agency obligations	179,110	162	$128,634	$35,095	$ 15,219
Federal agency obligations held against bonds	477,563			960	476,603
Municipal bonds	4,813	10	121		4,682
Cash Equivalents and Investments	$757,289	$95,975	$128,755	$36,055	$496,504

Custodial Credit Risk

Custodial credit risk is the risk that the Authority will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty of the counterparty's trust department or agent but not in the Authority's name. As of December 31, 2015, the Authority had not entered into any agreements subject to this paragraph.

In 1937, the State created the Public Deposit Insurance Fund (PDIF) to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. As of December 31, 2015, all of the Authority's cash was deposited in an approved financial institution.

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk Disclosure

The following table (in thousands of dollars) provides information on the credit ratings associated with the Authority's investments in debt securities:

	S & P	Fitch	Moody's	Fair Value
Money market fund shares	AAAm	AAAmmf	Aaa - mf	$ 95,803
Federal agency obligations	AA+	AAA	Aaa	179,110
Federal agency obligations held against bonds	AA+	AAA	Aaa	477,563
Municipal bonds	AA+	AAA	Aa2	4,813
Total				$757,289

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. The following table shows investments in issuers that represent five percent or more of total investments.

Ginnie Mae	64.46%
Small Business Administration	10.22%
Federal Home Loan Mortgage Corporation	9.87%
Fannie Mae	7.61%
Federal Home Loan Bank	7.03%

NOTE 4 - ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable at December 31, 2015, were as follows:

General Fund:	
Loans provided to subrecipients of certain programs	$ 207,563
Next Home Ownership Mortgage Down Payment Assistance Loans	15,347,987
Accounts receivable	1,068,070
Mortgage loans	236,164
	16,859,784
Less: Allowance for uncollectible loans	(15,575,800)
	$ 1,283,984
Current	$ 1,047,820
Noncurrent	$ 236,164

NOTE 4 - ACCOUNTS AND LOANS RECEIVABLE (CONTINUED)

Program Fund:	
Reimbursements due from other governments	$ 2,393,659
Section 1602 Tax Credit Exchange Program loans	169,148,255
Tax Credit Assistance Program loans	19,746,735
Rural Rental Housing loans	1,935,269
Home Investment Partnerships Program loans	9,192,017
Community Development Block Grant loans	18,414,764
Development Fund loans	33,196,403
Hardest Hit Fund loans	92,773,810
	346,800,912
Less: Allowance for uncollectible loans	(263,247,564)
	$ 83,553,348
Current	$ 9,491,958
Noncurrent	$ 74,061,390

The Section 1602 Tax Credit Exchange Program loans, the Hardest Hit Fund loans, and the Next Home Ownership Mortgage Down Payment Assistance (DPA) loans are forgivable, as long as borrowers comply with the provisions of the related agreements. Therefore, these loans are included in the allowance for uncollectible loans. Additionally, the Authority creates allowances for accounts and loans receivable to correspond with their perceived collectability. The General Fund provides the up-front funding for the DPA loans initially, but the cash is reimbursed through the sale of the related securitized loans.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 - BONDS PAYABLE

Bonds payables at December 31, 2015, consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2006 Series B-1:		
Serial bonds (4.25%), due 2016	$ 6,435	$ 380
	6,435	380
2006 Series B-1:		
Term bonds (4.80%), due 2021	13,230	2,700
Term bonds (4.90%), due 2026	16,755	3,290
Term bonds (4.95%), due 2031	22,620	4,880
Term bonds (5.00%), due 2037	34,125	7,355
Taxable PAC bonds (5.90%), due 2037	50,000	5,105
	136,730	23,330
2006 Series C-1:		
Serial bonds (4.35%), due 2016	4,515	480
Term bonds (4.65%), due 2021	8,935	2,960
Term bonds (4.80%), due 2027	14,970	4,930
Term bonds (4.85%), due 2031	13,475	4,450
Term bonds (4.90%), due 2037	27,865	9,195
	69,760	22,015
2006 Series D-1:		
Serial bonds (4.20%), due 2016	4,510	445
Term bonds (4.45%), due 2021	8,045	3,560
Term bonds (4.55%), due 2027	13,420	5,955
Term bonds (4.60%), due 2031	12,025	5,335
PAC bonds (5.50%), due 2038	16,000	325
Term bonds (4.625%), due 2038	30,065	8,375
	84,065	23,995
2006 Series D-2:		
Taxable bonds (5.409%), due 2038	25,045	1,755
	25,045	1,755
2007 Series A-1:		
Term bonds (4.375%), due 2017	2,585	1,170
Term bonds (4.650%), due 2022	7,155	1,090
Term bonds (4.780%), due 2027	9,415	340
Term bonds (4.80%), due 2032	12,405	5,650
PAC bonds (5.50%), due 2038	9,030	595
Term bonds (4.875%), due 2039	22,620	10,295
	63,210	19,140
2007 Series A-2:		
Taxable PAC bonds (5.505%), due 2039	24,985	2,425
	24,985	2,425
2010 Series 08A-2:		
Term bonds (SIFMA plus 0.46%), due 2039	85,000	47,875
	85,000	47,875
2008 Series A-3:		
Serial bonds (5.0% to 5.30%), due 2016 - 2018	16,500	2,245
Term bonds (5.95%), due 2023	7,015	1,400
Term bonds (6.125%), due 2029	11,165	2,235
Term bonds (6.25%), due 2033	13,370	2,675
Term bonds (6.45%), due 2040	18,370	3,675
	66,420	12,230
Total Single Family Fund	561,650	153,145

NOTE 5 - BONDS PAYABLES (CONTINUED)

Home First Fund	Original Amount	Balance
2009 Series A-3:		
Term bonds (2.32%), due 2041	$ 36,000	$ 23,840
	36,000	23,840
2009 Series A-4:		
Term bonds (2.49%), due 2041	78,000	54,155
	78,000	54,155
2009 Series A-5:		
Term bonds (2.73%), due 2041	39,000	31,140
	39,000	31,140
2010 Series A:		
Serial bonds (2.25% to 3.55%), due 2016 - 2021	12,225	4,530
Term bonds (4.00%), due 2025	6,035	3,680
PAC bonds (4.50%), due 2028	5,740	2,510
	24,000	10,720
2011 Series A:		
Serial bonds (2.00% to 4.00%), due 2016 - 2021	9,070	3,365
Term bonds (4.45%), due 2027	7,430	4,050
PAC bonds (4.50%), due 2028	7,500	3,600
	24,000	11,015
2011 Series B:		
Serial bonds (1.80% to 4.00%), due 2016 - 2021	8,825	4,550
Term bonds (4.00%), due 2027	7,675	4,795
PAC bonds (4.00%), due 2028	7,500	3,690
	24,000	13,035
2011 Series C:		
Serial bonds (2.00% to 5.00%), due 2016 - 2022	26,325	15,720
Term bonds (4.10%), due 2027	7,905	5,985
PAC bonds (4.50%), due 2027	12,680	7,250
	46,910	28,955
Total Home First Fund	$ 271,910	$ 172,860

NOTE 5 - BONDS PAYABLE (CONTINUED)

MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1:		
Term bonds (3.029%), due 2038	$ 73,532	$ 30,772
	73,532	30,772
2013 Series 1:		
Taxable Term bonds (3.027%), due 2041	$ 62,674	$ 43,591
	62,674	43,591
2013 Series 2:		
Taxable Term bonds (4.038%), due 2036	$ 51,839	$ 35,870
	51,839	35,870
2014 Series 1:		
Taxable Term bonds (4.050%), due 2038	$ 28,667	$ 19,705
	28,667	19,705
Total MBS Pass-Thru Fund	$ 216,712	$ 129,938
Total Bonds Payable	$ 1,050,272	$ 455,943

The Single Family, Home First and MBS Pass-thru bonds are special obligations of the Authority. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures.

The 2006 Series B, 2006 Series D, and 2007 Series A include both taxable and tax-exempt bonds. Taxable bonds were utilized to increase resources for the Authority's Mortgage Program.

The 2010 Series 08A-2 bond matures on December 1, 2039, and the interest rate is SIFMA plus .45% (.46% at December 31, 2015) adjusted weekly.

NOTE 5 - BONDS PAYABLE (CONTINUED)

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2015 and thereafter (all amounts in thousands). The Authority typically has significant prepayments of principal amounts and therefore does not expect to make all interest payments in their scheduled amounts.

	Single Family Fund		Home First Fund		MBS Pass-thru Fund		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Payments
2016	$ 2,985	$ 6,883	$ 6,260	$ 5,232		$ 4,498	$ 9,245	$ 16,613	$ 25,858
2017	3,200	6,740	6,250	5,007		4,498	9,450	16,245	25,695
2018	2,815	6,594	6,270	4,759		4,498	9,085	15,851	24,936
2019	3,840	6,449	5,790	4,528		4,498	9,630	15,475	25,105
2020	4,040	6,279	6,005	4,334		4,498	10,045	15,111	25,155
2021-2025	23,185	28,497	29,290	18,465		22,490	52,475	69,452	121,927
2026-2030	33,175	22,499	33,750	12,437		22,490	66,925	57,426	124,352
2031-2035	44,390	13,667	35,480	7,967	$ 86,346	22,490	166,216	44,124	210,341
2036-2040	35,515	3,148	36,955	3,410	43,591	11,607	116,061	18,165	134,226
2041			6,810	123		1,155	6,810	1,278	8,088
Original issue premium	53		2,239		3,344		5,636		5,636
Original issue discount			(6)				(6)		(6)
Total	$ 153,198	$ 100,756	$ 175,093	$ 66,262	$ 133,282	$ 102,722	$ 461,573	$ 269,740	$ 731,313

The summary of bonds payable as of December 31, 2015 (dollars in thousands) was as follows:

Interest Rate Ranges	Maturity Range	Payment Range of Principal	Total
0.46% - 6.45%	2016 – 2041	$ 8,280 - $66,076	$455,943

Changes in Obligations

The following are changes in noncurrent liabilities of the Authority for the year ended December 31, 2015 (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within one year	Amounts due thereafter
Bonds payable	$ 550,644		$ 94,701	$ 455,943	$ 9,245	$ 446,698
Add: Original premium	7,378		1,742	5,636		5,636
Less: Original discount	(7)	$ 1		(6)		(6)
Deriviative instrument - interest rate swap	4,388		948	3,440		3,440
Pension liability	2,409	1,367		3,776		3,776
Other liabilities	486		121	365		365
	$ 565,298	$ 1,368	$ 97,512	$ 469,154	$ 9,245	$ 459,909

Due to the nature of the net pension liability, which cannot be classified into the amounts due within one year and thereafter, the related balance is excluded from the above maturity table.

NOTE 5 - BONDS PAYABLE (CONTINUED)

The Single Family and Home First bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 101 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority redeemed $94,701,309 of bonds in 2015 from mortgage loan payments and prepayments. The bond redemptions resulted in write-offs of unamortized discount related to the redeemed bonds.

Swap Agreement – Cash Flow Hedge

On November 6, 2008, the Authority entered into an interest rate swap agreement with Royal Bank of Canada (Counterparty), effective December 2, 2008. The objective of this swap agreement is to create, with respect to the 2008 Series A-2 Bonds in an amount totaling $85,000,000, an approximately fixed rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are made semi-annually, on the basis of a notional principal amount and a fixed interest rate of 3.445%. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the SIFMA Municipal Swap Index.

Objective of the Swap: In order to protect against the potential of rising interest rates, the Authority entered pay-fixed, receive-variable interest rate swap agreement.

Terms, Fair Value and Credit Risk: The terms, including, the fair value and credit rating of the outstanding swap as of December 31, 2015, are as follows:

Bond series	Notional amounts	Effective date	Fixed rate paid	Variable rate received	Fair value	Swap termination date	Counterparty credit rating S&P/Moody's/Fitch
2010 Series 08A-2	$ 47,875,000	12/2/2008	3.445%	USD-SIFMA	$ (3,440,095)	7/1/2027	AA-/Aa3/AA

The notional amount of the swap matches the principal amount of the associated debt. The Authority's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions of the associated bonds.

Fair Value: Because interest rates have declined, the swap agreement had a net mark to market value of ($3,440,095) as of December 31, 2015. That fair value may be countered by reductions in total interest payments required under the floating-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's floating-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

Credit Risk: As of December 31, 2015, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap agreement become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

Termination Risk: The Authority or the Counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. If the swap agreement is terminated, the associated floating-rate bonds would no longer carry synthetic interest rates. Also, if at the time of the termination the fair value of the swap agreement is not positive, the Authority would be liable to the Counterparty for a payment equal to the swap agreement's fair value.

NOTE 5 - BONDS PAYABLE (CONTINUED)

Rollover Risk: The Authority is exposed to rollover risk if the swap agreement matures or is terminated prior to the maturity of the associated debt. When the swap agreement terminates, the Authority will not realize the synthetic rate offered by the swap agreement on the underlying debt issue.

Swaption: The Authority may, starting July 1, 2018 and semiannually thereafter, terminate the swap transaction, in whole or in part, by providing at least thirty days prior written notice to the Counterparty. No payments shall be due from any party in connection with any such optional termination except for accrued amounts that would otherwise be due on the optional termination date.

Swap Payments and Associated Debt: As of December 31, 2015, debt service requirements of the Authority's hedged outstanding variable rate debt and net swap payments (assuming current interest rates remain the same for their term and bonds are called as the swap amortizes) are as follows:

Year Ending December 31	Principal	Interest	Interest Rate Swap, net	Total
2016	$ 4,650,000	$ 209,279	$1,529,520	$ 6,388,799
2017	4,210,000	189,222	1,382,931	5,782,153
2018	4,480,000	167,391	1,223,375	5,870,766
2019	5,755,000	141,893	1,037,027	6,933,920
2020	5,265,000	116,560	851,880	6,233,440
2021-2025	19,455,000	280,038	2,046,659	21,781,697
2026-2027	4,060,000	10,317	75,398	4,145,715
	$47,875,000	$1,114,700	$8,146,790	$57,136,489

Conduit Debt Obligations

The Authority is authorized by law to issue conduit revenue bonds for the purpose of financing residential housing for persons and families of low and moderate income. Except as described below, the Authority's revenue bonds are payable solely from revenues of the Authority specifically pledged thereto. The bonds are not, in any respect, a general obligation the Authority, nor are they payable in any manner from revenues raised by the Authority.

The Authority has issued debt obligations on behalf of a certain 501(c)(3) organizations (the Debtors) for the purpose of acquiring and rehabilitating facilities for housing persons of low and moderate income. These bonds and the interest thereof do not constitute a debt or liability of the Authority, but are special obligations between investors and the Debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2015, the Authority had outstanding conduit debt of $109,165,000.

NOTE 6 - COMMITMENTS

Lease

The Authority leases its office space under a noncancellable operating lease agreement through 2023. Lease expense for 2015 was $561,412. The table below shows the required payments for rent and anticipated operating expenses for the remaining term of the lease.

Year	Payments
2016	$ 555,813
2017	557,649
2018	559,558
2019	561,544
2020	563,609
2021-2023	1,704,058
Total	$4,502,231

Excess Investment Earnings

In order to preserve the exemption of federal and state income taxation on interest received by the bond holders, each bond issue is subject to certain Internal Revenue Code (IRC) and U.S. Treasury Regulations for arbitrage. Under these regulations, the Authority is required to pay the Federal government any excess earnings as defined by IRC Section 148(f) on all non-purpose investments if such investments were invested at a rate greater than the yield on the bond issue.

The Authority's liability for excess earnings, included in noncurrent other liabilities on the Statements of Net Position at December 31, 2015 was $365,220 for the Single Family Fund.

NOTE 7 - RETIREMENT PLAN

Plan Description

The Authority contributed to the Public Employees' Retirement Fund (PERF), which is administered by INPRS as a cost-sharing, multiple-employer defined benefit plan. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. There are two tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

There are two aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement. This PERFASA Only Plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are individually directed and controlled by plan participants who direct the investment of their account balances among eight investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

Retirement Benefits – Defined Benefit Pension

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups.

For PERF members who serve as an elected official, the highest one year (total of four consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to $2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015; however, eligible members received a one-time check (a.k.a. 13th check) by October 2015.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is $180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.inprs.in.gov/.

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date:	June 30, 2015
Liability valuation date and method:	June 30, 2014 – Member census data as of June 30, 2014 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014 and June 30, 2015. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2014 to June 30, 2015.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed April 2015 and reflects the experience period from July 1, 2011 to June 30, 2014
Investment rate of return:	6.75%

NOTE 7 - RETIREMENT PLAN (CONTINUED)

COLA:	1.0%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Target Allocation	**Geometric Basis Long-term Expected Real Rate of Return**
Private equity	10.0%	5.6%
Fixed income – Ex inflation-linked	22.0%	2.1%
Fixed income – Inflation-linked	10.0%	0.7%
Commodities	8.0%	2.0%
Real estate	7.5%	3.0%
Absolute return	10.0%	3.9%
Risk parity	10.0%	5.0%

Total pension liability for the Plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, the Plan's fiduciary net position were projected to be available to make all projected future benefit payments of current Plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of the Plan calculated using the discount rate of 6.75 percent, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	**Current Discount Rate (6.75%)**	**1% Increase (7.75%)**
$5,569,304	$3,775,580	$2,286,461

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are reported at fair value by INPRS.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the fiscal year ended June 30, 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less that 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for the fiscal year ended June 30, 2015, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the Authority reported a liability of $3,775,580 for its proportionate share of the net pension liability. The Authority' proportionate share of the net pension liability was based on the Authority' wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2015 measurement date was 0.0009270.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2015, the Authority recognized pension expense of $821,914, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $225,469. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 162,065	$ 7,808
Net differences between project and actual earnings on pension plan investments	636,610	355,079
Changes of assumptions	319,163	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	562,599	
Total that will be recognized in pension expense (income) based on table below	1,680,437	362,887
Pension contribution subsequent to measurement date	246,585	
Total	$1,927,022	$362,887

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

Year Ending December 31,	Amount
2016	$ (464,490)
2017	(464,490)
2018	(229,417)
2019	(159,153)
	$(1,317,550)

NOTE 8 - CONTINGENCIES

The Authority is subject to various claims which arise primarily in the ordinary course of conducting its business. In management's opinion, the ultimate resolution of such matters will not have a material adverse effect on the Authority's financial position or its results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEUDLE OF THE AUTHORITY'S PROPRTIONATE SHARE OF THE NET PENSION LIABLITY (UNAUDITED)

PUBLIC EMPLOYEE'S RETIREMENT FUND
Last 10 Fiscal Years*

	2015	2014	2013
Authority's proportion of the net position liability	0.09270%	0.09168%	0.06410%
Authority's proportionate share of the net pension liability	$3,775,580	$2,409,291	$2,195,476
Authority's covered-employee payroll	$4,440,142	$4,476,208	$3,997,291
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.0%	53.8%	54.9%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	84.3%	78.8%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

SCHEUDLE OF THE AUTHORITY'S CONTRIBUTIONS (UNAUDITED)

PUBLIC EMPLOYEE'S RETIREMENT FUND
Last 10 Fiscal Years*

	2015	2014	2013
Contractually required contribution	$ 497,297	$ 501,337	$ 387,737
Contributions in relation to the contractually required contribution	$ 497,297	$ 501,337	$ 387,737
Contribution deficiency	$ -	$ -	$ -
Authority's covered-employee payroll	$4,440,142	$4,476,208	$3,997,291
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	9.7%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.