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Indiana Housing & Community Development Authority

A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2016

KSM KATZ SAPPER & MILLER

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

CONTENTS

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, 2016, 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; 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.

Katz, Sapper & Miller, LLP
Certified Public Accountants

800 East 96th Street, Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Web ksmcpa.com

An Affiliate of
KSM Business Services, Inc.

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

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, 2016, 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 20 and the schedules of the authority's proportionate share of the net pension liability and of the authority's contributions on pages 49 and 50 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 27, 2017, 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 27, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2016

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, 2016. 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. 72, *Fair Value Measurement and Application,* which applies primarily to investments made by state and local governments, defines fair value, and describes how fair value should be measured during fiscal year 2016. The guidance required the Authority to disclose fair value measurements, the level of fair value hierarchy, and valuation techniques. See Note 4.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2016

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

	2016 Total	2015 Total	Change	% Change
CURRENT ASSETS				
Cash and cash equivalents:				
Unrestricted	$ 89,388,902	$ 48,517,702	$ 40,871,200	84%
Restricted	155,666,824	136,395,853	19,270,971	14%
Accrued interest receivable:				
Investments	597,927	763,677	(165,750)	-22%
Investments held against bonds	1,323,626	1,598,704	(275,078)	-17%
Accounts and loans receivable, net	20,888,630	10,539,778	10,348,852	98%
Other assets	3,377,930	2,144,645	1,233,285	58%
Total Current Assets	271,243,839	199,960,359	71,283,480	36%
NONCURRENT ASSETS				
Investments:				
Unrestricted	126,979,070	160,522,006	(33,542,936)	-21%
Restricted	9,908,549	23,400,943	(13,492,394)	-58%
Investments held against bonds	429,857,939	477,562,799	(47,704,860)	-10%
Accounts and loans receivable, net	66,825,542	74,297,554	(7,472,012)	-10%
Capital assets, at cost, less accumulated depreciation	2,289,180	2,523,327	(234,147)	-9%
Total Noncurrent Assets	635,860,280	738,306,629	(102,446,349)	-14%
TOTAL ASSETS	907,104,119	938,266,988	(31,162,869)	-3%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension costs	2,416,287	1,927,022	489,265	25%
Accumulated decrease in fair value of hedging derivative	2,029,285	3,440,095	(1,410,810)	-41%
Deferred refunding costs	2,966,491	3,766,915	(800,424)	-21%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,412,063	9,134,032	(1,721,969)	-19%
CURRENT LIABILITIES				
Bonds payable	9,175,000	9,245,000	(70,000)	-1%
Accrued interest payable	3,295,639	4,386,990	(1,091,351)	-25%
Unearned revenue	48,012,214	46,644,009	1,368,205	3%
Accounts payable and other liabilities	9,343,293	7,111,021	2,232,272	31%
Total Current Liabilities	69,826,146	67,387,020	2,439,126	4%
NONCURRENT LIABILITIES				
Bonds payable	399,973,238	446,697,605	(46,724,367)	-10%
Add original issue premium	6,044,003	5,635,927	408,076	7%
Less original issue discount	(4,505)	(5,564)	1,059	-19%
Net Noncurrent Bonds Payable	406,012,736	452,327,968	(46,315,232)	-10%
Derivative instrument - interest rate swap	2,029,285	3,440,095	(1,410,810)	-41%
Pension liability	4,988,658	3,775,580	1,213,078	32%
Other liabilities		365,220	(365,220)	-100%
Total Noncurrent Liabilities	413,030,679	459,908,863	(46,878,184)	-10%
TOTAL LIABILITIES	482,856,825	527,295,883	(44,439,058)	-8%
DEFERRED INFLOWS OF RESOURCES				
Deferred pension revenue	357,369	362,887	(5,518)	-2%
NET POSITION				
Net investment in capital assets	2,289,180	2,523,327	(234,147)	-9%
Restricted	210,165,961	205,098,432	5,067,529	2%
Unrestricted	218,846,847	212,120,491	6,726,356	3%
TOTAL NET POSITION	$ 431,301,988	$ 419,742,250	$ 11,559,738	3%

Total assets decreased by $31.2 million or 3 percent. The primary reason for this decrease was due to investments held against bonds, which comprised $47.7 million of the aforementioned decrease. This was the result of bond redemptions and the net decrease in fair value of investments. Another source of the shift was placement of unrestricted and restricted, noncurrent assets into unrestricted and restricted, current assets of $13.2 million, and a similar shift in the accounts and loans receivables of $2.8 million, primarily within the Development Fund program. The remainder was attributable to the increase in the other assets of $1.2 million, which primarily was Housing Choice Voucher undistributed payments, offset by the combined net decrease of $0.7 million in accrued interest and depreciation of capital assets.

Deferred outflows of resources decreased $1.7 million due to the adjustment in the fair value of the 2008 Series A-2 interest rate swap of $1.4 million combined with the amortization of the deferred refunding costs of $0.8 million, offset by an increase in deferred pension costs of $0.5 million.

Total liabilities decreased $44.4 million. Current liabilities increased $2.4 million while noncurrent liabilities decreased $46.9 million. The overall decrease in liabilities was primarily comprised of a bonds payable decrease of $46.7 million between years.

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $431.3 million at December 31, 2016.

Total net position at December 31, 2016 and 2015, was as follows (in millions of dollars):

	2016	**2015**
Assets and deferred outflows of resources	$914.5	$947.4
Liabilities and deferred inflows of resources	483.2	527.7
Net Position	$431.3	$419.7

Operating Analysis

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

	2016 Total	2015 Total	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 4,035,671	$ 3,125,405	$ 910,266	29%
Investments held against bonds	17,779,517	21,456,849	(3,677,332)	-17%
Fee income	5,076,691	4,405,741	670,950	15%
Program income	398,056,753	386,493,487	11,563,266	3%
Gain on sale of Next Home investments	12,349,837	11,452,966	896,871	8%
Net decrease in fair value of investments	(7,488,452)	(10,756,278)	3,267,826	-30%
Other income	1,633,860	1,084,092	549,768	51%
Total Operating Revenues, Gains and Losses	431,443,877	417,262,262	14,181,615	3%
OPERATING EXPENSES				
Investment expense	8,336,073	8,458,465	(122,392)	-1%
Loss on sale of investments	361,303	255,336	105,967	42%
Interest expense	15,732,991	19,273,454	(3,540,463)	-18%
Issuance costs	751,143		751,143	100%
Program expenses	374,410,231	365,872,557	8,537,674	2%
Arbitrage income		(80,529)	80,529	-100%
General and administrative expenses	20,292,398	20,089,621	202,777	1%
Total Operating Expenses	419,884,139	413,868,904	6,015,235	1%
Operating Income	11,559,738	3,393,358	8,166,380	241%
TRANSFERS				
Transfers from outside sources		37,198	(37,198)	-100%
CHANGE IN NET POSITION	11,559,738	3,430,556	8,129,182	237%
NET POSITION				
Beginning of Year	419,742,250	416,311,694	3,430,556	1%
End of Year	$ 431,301,988	$ 419,742,250	$ 11,559,738	3%

In 2016, total operating revenues were $431.4 million. This was comprised of federal and state program income of $398.1 million, interest income on investments of $21.8 million, gains on the sale of Next Home investments of $12.3 million, a decrease in the fair value of investments of $7.5 million, and $6.7 million in fee and other income. This compares to $417.3 million of total operating revenues in 2015. The overall increase in revenue of $14.2 million is mostly due to increases in the federal program funding of $11.6 million, primarily from Performance Based Contract Administrator Program and Blight Elimination Program revenues along with an increase in the Development Fund tobacco revenues. There was an increase in the fair value adjustment for investments of $3.3 million, offset by a decrease in interest income of $2.8 million due to the decrease in holdings. Fee and other income was up $1.2 million along with the gain on the sales of Next Home investments of which was up $0.9 million. Interest income on investments and fee income represent additional sources of operating revenue for the Authority.

Total operating expenses in 2016 were $419.9 million, which includes $374.4 million of federal and state program expenses, $15.7 million of interest expense on bonds, $20.3 million of general and administrative expense, $8.3 million in investment expense related to down payment assistance, $0.4 million of loss on sale of investments and $0.8 million in issuance costs.

Total operating expenses increased by $6.0 million. This was primarily due to the increase in program expense between the years of $8.5 million, which correlates to the increase in the revenues associated with the Performance Based Contract Administrator Program and the Blight Elimination Program. This was offset by a decrease in interest expense of $3.5 million. The remaining $1.0 million increase was comprised of $0.8 million in issuance costs and $0.2 million in general and administrative costs, which consisted primarily of the increase in pension costs recognized.

Total Operating Income for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$431.4	$417.3
Operating expenses	419.9	413.9
Operating Income	$ 11.5	$ 3.4

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 $7.5 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2016 was $19.0 million resulting in a net increase in the change in net position of $4.9 million between years.

	2016	**2015**	**Change**	**%**
Change in Net Position	$11,559,738	$ 3,430,556	$8,129,182	237%
Net increase (decrease) in fair value of investments	(7,488,452)	(10,756,278)	3,267,826	-30%
Change in net position without the GASB No. 31 adjustment	$19,048,190	$ 14,186,834	$4,861,356	34%

The following is a comparative analysis between years of the condensed Statements of Revenues, Expenses and Changes in Net Position for the Authority's General Fund:

	2016 General Fund	2015 General Fund	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 2,539,493	$ 2,159,483	$ 380,010	18%
Fee income	4,721,047	4,138,439	582,608	14%
Gain on sale of Next Home investments	12,349,837	11,452,966	896,871	8%
Net increase (decrease) in fair value of investments	(35,832)	426,441	(462,273)	-108%
Other income	1,173,245	383,625	789,620	206%
Total Operating Revenues, Gains and Losses	20,747,790	18,560,954	2,186,836	12%
OPERATING EXPENSES				
Investment expense	8,336,073	8,458,465	(122,392)	-1%
Loss on sale of investments	361,303	255,336	105,967	42%
Program expenses	507,902	48,433	459,469	949%
General and administrative expenses	6,404,013	6,111,247	292,766	5%
Total Operating Expenses	15,609,291	14,873,481	735,810	5%
Operating Income	5,138,499	3,687,473	1,451,026	39%
TRANSFERS				
Interfund transfers	4,212,017	(201,260)	4,413,277	-2193%
CHANGE IN NET POSITION	9,350,516	3,486,213	5,864,303	168%
NET POSITION				
Beginning of Year	82,865,666	79,379,453	3,486,213	4%
End of Year	$92,216,182	$82,865,666	$9,350,516	11%

In 2016, total operating revenues for the General Fund were $20.7 million. This was primarily comprised of gains on the sale of Next Home investments of $12.3 million, interest income of $2.5 million, $5.9 million in fees and other income, and a decrease in the fair value of investments of $0.04 million. This compares to $18.6 million of total operating revenues in 2015. The overall increase in revenue of $2.2 million is mostly attributable to the increase in the gain on sale of Next Home investments of $0.9 million, the increase in income from homeownership reservation and extension fees, indenture administrative fees from the bond programs, and real estate development application and monitoring fees of $0.6 million, the increase in other income of $0.8 million consisting of multi-family bonds reservation and training fees, the increase in interest income of $0.4 million offset by the decrease in the adjustment to the fair value of investments of $0.5 million.

Total operating expenses for the General Fund in 2016 were $15.6 million, which includes $8.3 million in investment expense related to down payment assistance, $6.4 million of general and administrative expenses, $0.5 million in program expenses, and $0.4 million of loss on sales of investments. Total operating expenses increased by $0.7 million, due to a program repayment and disaster assistance of $0.4 million and an increase of $0.3 million in pension expense.

Total General Fund Operating Income and Change in Net Position for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$20.7	$18.6
Operating expenses	15.6	14.9
Operating Income	5.1	3.7
Interfund transfers	4.2	(0.2)
Change in Net Position	$ 9.3	$ 3.5

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 $0.04 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the effect of this change in net position for 2016 was minimal; however, the difference between years resulted in a decrease of $0.5 million.

	2016	**2015**	**Change**	**%**
Change in Net Position	$9,350,516	$3,486,213	$5,864,303	168%
Net increase (decrease) in fair value of investments	(35,832)	426,441	(462,273)	-108%
Change in net position without the GASB No. 31 adjustment	$9,386,348	$3,059,772	$6,326,576	207%

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2016

The following is a comparative analysis between years of the condensed Statements of Revenues, Expenses and Changes in Net Position for the Authority's Program Fund:

	2016 Program Fund	2015 Program Fund	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 663	$ 1,290	$ (627)	-49%
Fee income	355,644	267,302	88,342	33%
Program income	398,056,753	386,493,487	11,563,266	3%
Other income	460,615	700,467	(239,852)	-34%
Total Operating Revenues, Gains and Losses	398,873,675	387,462,546	11,411,129	3%
OPERATING EXPENSES				
Interest expense	77,395		77,395	100%
Program expenses	373,902,329	365,824,124	8,078,205	2%
General and administrative expenses	11,939,744	12,676,540	(736,796)	-6%
Total Operating Expenses	385,919,468	378,500,664	7,418,804	2%
Operating Income	12,954,207	8,961,882	3,992,325	45%
TRANSFERS				
Interfund transfers	(212,017)	293,344	(505,361)	-172%
Transfers from outside sources		37,198	(37,198)	-100%
CHANGE IN NET POSITION	12,742,190	9,292,424	3,449,766	37%
NET POSITION				
Beginning of Year	130,169,420	120,876,996	9,292,424	8%
End of Year	$ 142,911,610	$ 130,169,420	$ 12,742,190	10%

In 2016, total operating revenues for the Program Fund were $398.9 million. This was primarily comprised of federal and state program revenues of $398.1 million. This compares to $387.5 million of total operating revenues in 2015. The overall increase in revenue of $11.4 million, is primarily from the Performance Based Contract Administrator Program and Blight Elimination Program revenues along with an increase in the Development Fund tobacco revenues.

Total operating expenses for the Program Fund in 2016 were $385.9 million, which includes $373.9 million in program expenses, and $11.9 million of general and administrative expense. Total operating expenses increased by $7.4 million, which primarily consists of the increase in program expense of $8.1 million. This program expense increase is mainly attributable to the increased expenses in the Performance Based Contract Administrator Program and the Blight Elimination Program, which tracks with the aforementioned increases in those program revenues.

Total Program Fund Operating Income and Change in Net Position for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$398.9	$387.5
Operating expenses	385.9	378.5
Operating Income	13.0	9.0
Interfund transfers	(0.2)	0.3
Change in Net Position	$ 12.8	$ 9.3

There was no GASB No. 31 adjustment made to the Authority's Program Fund.

The following is a comparative analysis between years of the condensed Statements of Revenues, Expenses and Changes in Net Position for the Authority's Single Family Fund:

	2016 Single Family Fund	2015 Single Family Fund	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 1,239,030	$ 825,466	$ 413,564	50%
Investments held against bonds	6,593,333	8,415,615	(1,822,282)	-22%
Net decrease in fair value of investments	(4,189,446)	(5,177,832)	988,386	-19%
Total Operating Revenues, Gains and Losses	3,642,917	4,063,249	(420,332)	-10%
OPERATING EXPENSES				
Interest expense	5,714,780	7,701,765	(1,986,985)	-26%
Issuance costs	751,143		751,143	100%
Arbitrage income		(80,529)	80,529	-100%
General and administrative expenses	1,474,134	732,206	741,928	101%
Total Operating Expenses	7,940,057	8,353,442	(413,385)	-5%
Operating Loss	(4,297,140)	(4,290,193)	(6,947)	0%
TRANSFERS				
Interfund transfers	(3,487,742)	643,127	(4,130,869)	-642%
CHANGE IN NET POSITION	(7,784,882)	(3,647,066)	(4,137,816)	113%
NET POSITION				
Beginning of Year	163,336,321	166,983,387	(3,647,066)	-2%
End of Year	$ 155,551,439	$ 163,336,321	$(7,784,882)	-5%

In 2016, total operating revenues for the Single Family Fund were $3.6 million, which consists of interest income of $7.8 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of $4.2 million. This compares to $4.1 million of total operating revenues in 2015. The overall decrease in revenue of $0.4 million is related to the combined impact of interest income relative to the restructure of investments for a decrease of $1.4 million coupled with the increase impact of the GASB No. 31 adjustment of $1.0 million. There were $3.5 million in interfund transfers creating a reduction in net position for 2016, while the transfers of $0.6 million in 2015 had a positive impact on net position.

Total operating expenses for the Single Family Fund in 2016 were $8.0 million, which includes $5.7 million in interest expense, $1.5 million of general and administrative expenses, and $0.8 million in bond issuance costs. Total operating expenses decreased by $0.4 million, which correlates primarily to the reduction of interest expense on the bonds of $2.0 million, offset by increases in the aforementioned bond issuance costs of $0.8 million and in general and administrative expenses of $0.8 million. The increase in general and administrative expenses was primarily attributable to Helping to Own down payment assistance costs.

Total Single Family Fund Operating Loss and Change in Net Position for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$ 3.6	$ 4.1
Operating expenses	7.9	8.4
Operating Loss	(4.3)	(4.3)
Inter fund transfers	(3.5)	0.6
Change in Net Position	$(7.8)	$(3.7)

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 $4.2 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2016 creates a significant fluctuation in the net position, and the difference between years resulted in an increase of $1.0 million.

	2016	**2015**	**Change**	**%**
Change in Net Position	$(7,784,882)	$(3,647,066)	$(4,137,816)	113%
Net increase (decrease) in fair value of investments	(4,189,446)	(5,177,832)	988,386	-19%
Change in net position without the GASB No. 31 adjustment	$(3,595,436)	$ 1,530,766	$(5,126,202)	-335%

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2016

The following is a comparative analysis between years of the condensed Statements of Revenues, Expenses and Changes in Net Position for the Authority's Home First Fund:

	2016 Home First Fund	2015 Home First Fund	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments	$ 256,485	$ 139,166	$ 117,319	84%
Investments held against bonds	6,084,326	6,730,181	(645,855)	-10%
Net decrease in				
fair value of investments	(1,019,740)	(1,783,804)	764,064	-43%
Total Operating Revenues,				
Gains and Losses	5,321,071	5,085,543	235,528	5%
OPERATING EXPENSES				
Interest expense	5,058,429	5,675,867	(617,438)	-11%
General and administrative expenses	471,007	555,128	(84,121)	-15%
Total Operating Expenses	5,529,436	6,230,995	(701,559)	-11%
CHANGE IN NET POSITION	(208,365)	(1,145,452)	937,087	-82%
NET POSITION				
Beginning of Year	31,439,129	32,584,581	(1,145,452)	-4%
End of Year	$31,230,764	$31,439,129	$ (208,365)	-1%

In 2016, total operating revenues for the Home First Fund were $5.3 million, which consists of interest income of $6.3 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of $1.0 million. This compares to $5.1 million of total operating revenues in 2015. The overall increase in revenue of $0.2 million is related to the combined impact of interest income relative to the restructure of investments for a decrease of $0.5 million coupled with the increase impact of the GASB No. 31 adjustment of $0.7 million. There were no interfund transfers in 2016 or 2015.

Total operating expenses for the Home First Fund in 2016 were $5.5 million, which includes $5.0 million in interest expense and $0.5 million of general and administrative expenses. Total operating expenses decreased by $0.7 million, which correlates primarily to the reduction of interest expense on the bonds of $0.6 million and minor reductions in general and administrative expenses of $0.1 million.

Total Home First Fund Operating Loss and Change in Net Position for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$ 5.3	$ 5.1
Operating expenses	5.5	6.2
Operating Loss	(0.2)	(1.1)
Interfund transfers	0.0	0.0
Change in Net Position	$(0.2)	$(1.1)

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 $1.0 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2016 creates a significant fluctuation in the net position, and the difference between years resulted in an increase of $0.8 million.

	2016	**2015**	**Change**	**%**
Change in Net Position	$ (208,365)	$(1,145,452)	$937,087	-82%
Net increase (decrease) in fair value of investments	(1,019,740)	(1,783,804)	764,064	-43%
Change in net position without the GASB No. 31 adjustment	$ 811,375	$ 638,352	$173,023	27%

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2016

The following is a comparative analysis between years of the condensed Statements of Revenues, Expenses and Changes in Net Position for the Authority's MBS Pass-thru Fund:

	2016 MBS Pass-Thru Fund	2015 MBS Pass-Thru Fund	Change	% Change
OPERATING REVENUES, GAINS AND LOSSES				
Interest income				
Investments held against bonds	$ 5,101,858	$ 6,311,053	$(1,209,195)	-19%
Net decrease in				
fair value of investments	(2,243,434)	(4,221,083)	1,977,649	-47%
Total Operating Revenues,				
Gains and Losses	2,858,424	2,089,970	768,454	37%
OPERATING EXPENSES				
Interest expense	4,882,387	5,895,822	(1,013,435)	-17%
General and administrative expenses	3,500	14,500	(11,000)	-76%
Total Operating Expenses	4,885,887	5,910,322	(1,024,435)	-17%
Operating Loss	(2,027,463)	(3,820,352)	1,792,889	-47%
TRANSFERS				
Interfund transfers	(512,258)	(735,211)	222,953	-30%
CHANGE IN NET POSITION	(2,539,721)	(4,555,563)	2,015,842	-44%
NET POSITION				
Beginning of Year	11,931,714	16,487,277	(4,555,563)	-28%
End of Year	$ 9,391,993	$ 11,931,714	$ (2,539,721)	-21%

In 2016, total operating revenues for the MBS Pass-Thru Fund were $2.9 million, which consists of interest income of $5.1 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of $2.2 million. This compares to $2.1 million of total operating revenues in 2015. The overall increase in revenue of $0.8 million is related to the combined impact of interest income relative to the restructure of investments for a decrease of $1.2 million coupled with the increase impact of the GASB No. 31 adjustment of $2.0 million. There were $0.5 million interfund transfers out of the MBS Pass-Thru Fund in 2016 and $0.7 million in 2015.

Total operating expenses for the MBS Pass-Thru Fund in 2016 were $4.9 million, which is primarily interest expense. General and administrative expenses were negligible. Total operating expenses decreased by $1.0 million, which correlates primarily to the reduction of interest expense on the bonds.

Total MBS Pass-Thru Fund Operating Loss and Change in Net Position for 2016 and 2015 was as follows (in millions of dollars):

	2016	**2015**
Operating revenues, gains and losses	$ 2.9	$ 2.1
Operating expenses	4.9	5.9
Operating Loss	(2.0)	(3.8)
Interfund transfers	(0.5)	(0.7)
Change in Net Position	$(2.5)	$(4.5)

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 $2.2 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2016 creates a significant fluctuation in the net position, and the difference between years resulted in an increase of $2.0 million.

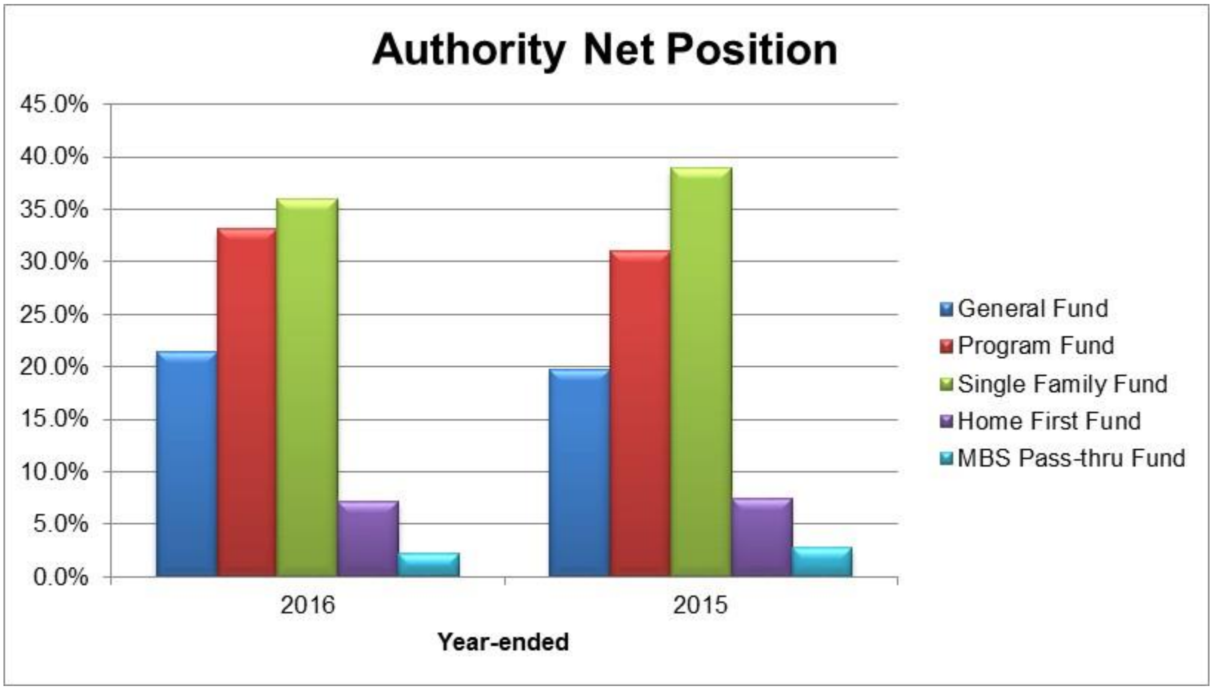
	2016	**2015**	**Change**	**%**
Change in Net Position	$(2,539,721)	$(4,555,563)	$2,015,842	-44%
Net increase (decrease) in fair value of investments	(2,243,434)	(4,221,083)	1,977,649	-47%
Change in net position without the GASB No. 31 adjustment	$ (296,287)	$ (334,480)	$ 38,193	-11%

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, 2016, consisted of $210.2 million restricted by funding sources, $218.9 million unrestricted and available to meet the obligations of the Authority's operations, and $2.3 million net investment in capital assets. Unrestricted net position increased $6.7 million or 3 percent, restricted net position increased $5.1 million or 2 percent, net investment in capital assets decreased $0.2 million or 9 percent from the prior year end.

The change in restricted assets was primarily due to the increase in Federal Programs restricted cash and cash equivalents of $12.7 million, offset by the decrease between years of $7.6 million for the bond indentures. The change in unrestricted assets was due to the increase in the General Fund unrestricted cash and cash equivalents of $9.6 million, offset by the decrease of $2.9 million in restricted assets for the Single Family indenture.

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



Capital Assets

As of December 31, 2016 and 2015, the Authority had $2.3 million and $2.5 million, respectively, invested in capital assets, primarily computer software and hardware. During 2016 and 2015, the Authority had purchases of $0.3 million and $0.1 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, 2016, was $409.1 million, which decreased $46.8 million compared to $455.9 million as of December 31, 2015. This decrease was due to the $126.4 million of maturities and redemptions of bonds previously issued by the Authority, offset against the $79.6 million in mortgage revenue bond issuances in 2016. 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 6 to the financial statements.

The following new bonds were issued during 2016:

Bond Series	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch's rating
2016 Series A-1	$ 30,000,000		$30,000,000	Aaa	AAA
2016 Series A-2	49,555,000		49,555,000	Aaa	AAA
Total	$ 79,555,000		$79,555,000		

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 AUTHORITY

STATEMENT OF NET POSITION
December 31, 2016

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2016 Total
CURRENT ASSETS						
Cash and cash equivalents:						
Unrestricted	$ 41,391,970		$ 47,996,932			$ 89,388,902
Restricted	2,580,979	$ 111,216,944	22,044,253	$ 19,801,348	$ 23,300	155,666,824
Accrued interest receivable:						
Investments	290,722		277,934	29,271		597,927
Investments held against bonds			541,213	435,660	346,753	1,323,626
Accounts and loans receivable, net	1,431,614	19,457,016				20,888,630
Other assets		3,377,930				3,377,930
Total Current Assets	45,695,285	134,051,890	70,860,332	20,266,279	370,053	271,243,839
NONCURRENT ASSETS						
Investments:						
Unrestricted	46,192,039		80,787,031			126,979,070
Restricted			5,620,960	4,287,589		9,908,549
Investments held against bonds			152,983,662	160,512,029	116,362,248	429,857,939
Accounts and loans receivable, net	103,160	66,722,382				66,825,542
Capital assets, at cost, less accumulated depreciation	2,153,298	135,882				2,289,180
Interfund accounts	3,583,119	(3,583,119)				
Total Noncurrent Assets	52,031,616	63,275,145	239,391,653	164,799,618	116,362,248	635,860,280
TOTAL ASSETS	97,726,901	197,327,035	310,251,985	185,065,897	116,732,301	907,104,119
DEFERRED OUTFLOWS OF RESOURCES						
Deferred pension costs	2,416,287					2,416,287
Accumulated decrease in fair value of hedging derivative			2,029,285			2,029,285
Deferred refunding costs					2,966,491	2,966,491
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,416,287	-	2,029,285	-	2,966,491	7,412,063
CURRENT LIABILITIES						
Bonds payable			3,140,000	6,035,000		9,175,000
Accrued interest payable			2,600,929	386,210	$308,500	3,295,639
Unearned revenue		48,012,214				48,012,214
Accounts payable and other liabilities	2,580,979	6,403,211	359,103			9,343,293
Total Current Liabilities	2,580,979	54,415,425	6,100,032	6,421,210	308,500	69,826,146
NONCURRENT LIABILITIES						
Bonds payable			147,025,000	145,695,000	107,253,238	399,973,238
Add original issue premium			1,575,514	1,723,428	2,745,061	6,044,003
Less original issue discount				(4,505)		(4,505)
Net Noncurrent Bonds Payable	-	-	148,600,514	147,413,923	109,998,299	406,012,736
Derivative instrument - interest rate swap			2,029,285			2,029,285
Pension liability	4,988,658					4,988,658
Total Noncurrent Liabilities	4,988,658	-	150,629,799	147,413,923	109,998,299	413,030,679
TOTAL LIABILITIES	7,569,637	54,415,425	156,729,831	153,835,133	110,306,799	482,856,825
DEFERRED INFLOWS OF RESOURCES						
Deferred pension revenue	357,369					357,369
NET POSITION						
Net investment in capital assets	2,153,298	135,882				2,289,180
Restricted		142,775,728	26,767,476	31,230,764	9,391,993	210,165,961
Unrestricted	90,062,884		128,783,963			218,846,847
TOTAL NET POSITION	$ 92,216,182	$ 142,911,610	$ 155,551,439	$ 31,230,764	$ 9,391,993	$ 431,301,988

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2016

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2016 Total
OPERATING REVENUES, GAINS AND LOSSES						
Interest income						
Investments	$ 2,539,493	$ 663	$ 1,239,030	$ 256,485		$ 4,035,671
Investments held against bonds			6,593,333	6,084,326	$ 5,101,858	17,779,517
Fee income	4,721,047	355,644				5,076,691
Program income		398,056,753				398,056,753
Gain on sale of Next Home investments	12,349,837					12,349,837
Net decrease in fair value of investments	(35,832)		(4,189,446)	(1,019,740)	(2,243,434)	(7,488,452)
Other income	1,173,245	460,615				1,633,860
Total Operating Revenues, Gains and Losses	20,747,790	398,873,675	3,642,917	5,321,071	2,858,424	431,443,877
OPERATING EXPENSES						
Investment expense	8,336,073					8,336,073
Loss on sale of investments	361,303					361,303
Interest expense		77,395	5,714,780	5,058,429	4,882,387	15,732,991
Issuance costs			751,143			751,143
Program expenses	507,902	373,902,329				374,410,231
General and administrative expenses	6,404,013	11,939,744	1,474,134	471,007	3,500	20,292,398
Total Operating Expenses	15,609,291	385,919,468	7,940,057	5,529,436	4,885,887	419,884,139
Operating Income (Loss)	5,138,499	12,954,207	(4,297,140)	(208,365)	(2,027,463)	11,559,738
TRANSFERS						
Interfund transfers	4,212,017	(212,017)	(3,487,742)		(512,258)	
CHANGE IN NET POSITION	9,350,516	12,742,190	(7,784,882)	(208,365)	(2,539,721)	11,559,738
NET POSITION						
Beginning of Year	82,865,666	130,169,420	163,336,321	31,439,129	11,931,714	419,742,250
End of Year	$ 92,216,182	$ 142,911,610	$ 155,551,439	$ 31,230,764	$ 9,391,993	$ 431,301,988

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2016 Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts for services	$ 18,017,609					$ 18,017,609
Program revenue		$ 396,419,282				396,419,282
Principal received on loans receivable	133,004					133,004
Program expenses	(507,902)	(384,676,685)				(385,184,587)
Cash payments to suppliers	(9,565,163)		$ (2,003,567)	$ (471,007)	$ (3,500)	(12,043,237)
Cash payments to employees	(3,403,581)					(3,403,581)
Net Cash Provided (Used) by Operating Activities	4,673,967	11,742,597	(2,003,567)	(471,007)	(3,500)	13,938,490
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from bond issuances			81,130,514			81,130,514
Debt issuance costs			(751,143)			(751,143)
Repayments and redemption of bonds and bank loans		(94,112)	(82,535,000)	(21,130,000)	(22,684,369)	(126,443,481)
Interest paid on bonds and bank loans		(57,341)	(6,686,504)	(5,111,056)	(4,148,962)	(16,003,863)
Transfers	4,212,017	(212,017)	(3,487,742)		(512,258)	
Net Cash Provided (Used) by Noncapital Financing Activities	4,212,017	(363,470)	(12,329,875)	(26,241,056)	(27,345,589)	(62,067,973)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchases of capital assets	(191,740)	(39,995)				(231,735)
Net Cash Used by Capital Financing Activities	(191,740)	(39,995)	-	-	-	(231,735)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales or maturities of investments	17,683,129		107,396,990	8,548,747		133,628,866
Principal received on investments held against bonds			25,917,684	21,155,420	22,684,364	69,757,468
Interest received on investments held against bonds			6,590,110	5,629,947	4,668,161	16,888,218
Interest received on investments	2,516,624	663	1,416,845	320,659		4,254,791
Purchases of investments held against bonds			(28,981,816)			(28,981,816)
Purchases of investments	(16,741,808)		(70,302,330)			(87,044,138)
Net Cash Provided by Investing Activities	3,457,945	663	42,037,483	35,654,773	27,352,525	108,503,389
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,152,189	11,339,795	27,704,041	8,942,710	3,436	60,142,171
CASH AND CASH EQUIVALENTS						
Beginning of Year	31,820,760	99,877,149	42,337,144	10,858,638	19,864	184,913,555
End of Year	$ 43,972,949	$ 111,216,944	$ 70,041,185	$ 19,801,348	$ 23,300	$ 245,055,726
CASH AND CASH EQUIVALENTS						
Cash	$ 4,660,966	$ 111,216,944	$ 1,605,937			$ 117,483,847
Money market investments	39,311,983		68,435,248	$ 19,801,348	$ 23,300	127,571,879
	$ 43,972,949	$ 111,216,944	$ 70,041,185	$ 19,801,348	$ 23,300	$ 245,055,726

See accompanying notes.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2016

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2016 Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income (loss)	$ 5,138,499	$ 12,954,207	$ (4,297,140)	$ (208,365)	$ (2,027,463)	$ 11,559,738
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:						
Net increase in fair value of investments	35,832		4,189,446	1,019,740	2,243,434	7,488,452
Principal received on loans receivable	133,004					133,004
Interest income on investments	(2,539,493)	(663)	(1,239,030)	(256,485)		(4,035,671)
Interest income on investments held against bonds			(6,593,333)	(6,084,326)	(5,101,858)	(17,779,517)
Loss on sale of investments	361,303					361,303
Depreciation	446,310	19,572				465,882
Interest expense		77,395	5,714,780	5,058,429	4,882,387	15,732,991
Changes in certain assets, deferred outflows, liabilities, and deferred inflows:						
Accounts and loans receivable	(189,120)	(2,626,050)				(2,815,170)
Investment interest receivable			227,828			227,828
Other assets		(1,233,285)				(1,233,285)
Deferred pension costs	(489,265)					(489,265)
Unearned revenue	(37,400)	1,405,605				1,368,205
Accounts payable and other liabilities	606,737	1,145,816	(6,118)			1,746,435
Pension liability	1,213,078					1,213,078
Deferred pension revenue	(5,518)					(5,518)
Net Cash Provided (Used) by Operating Activities	$ 4,673,967	$ 11,742,597	$ (2,003,567)	$ (471,007)	$ (3,500)	$ 13,938,490

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 (the State) 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 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.

The Authority adopted GASB Statement No. 72, *Fair Value Measurement and Application*, during 2016. This statement required the Authority to disclose fair value measurements, the level of fair value hierarchy, and valuation techniques. See Note 4.

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 accordance 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.

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 as of and for the year ended December 31, 2016:

	Total Assets and Deferred Outflows	
	Fair Value	Cost
General Fund	$100,143,188	$100,431,000
Program Fund	197,327,035	197,327,035
Single Family Fund	312,281,270	303,174,491
Home First Fund	185,065,897	180,755,049
MBS Pass-thru Fund	119,698,792	110,591,945
Total Assets and Deferred Outflows	$914,516,182	$892,279,520
	Net Position	
	Fair Value	Cost
General Fund	$ 92,216,182	$ 92,503,997
Program Fund	142,911,610	142,911,610
Single Family Fund	155,551,439	146,444,657
Home First Fund	31,230,764	26,919,916
MBS Pass-thru Fund	9,391,993	285,146
Total Net Position	$431,301,988	$409,065,326
	Operating Income	
	Fair Value	Cost
General Fund	$ 5,138,499	$ 5,174,331
Program Fund	12,954,207	12,954,207
Single Family Fund	(4,297,140)	(107,694)
Home First Fund	(208,365)	811,375
MBS Pass-thru Fund	(2,027,463)	215,971
Total Operating Income	$11,559,738	$19,048,190

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Accounts and Transfers

Funds are transferred from one fund to support expenditures of other funds, including operating activities, bond issuances, and bond redemptions in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded on the statement of net position at the end of the year.

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 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Building improvements	$ 45			$ 45
Furniture and equipment	336			336
Computer software	6,829	$232		7,061
Computer hardware	1,024			1,024
Total accumulated depreciation	(5,711)	(466)		(6,177)
Total Capital Assets, Net of Accumulated Depreciation	$ 2,523	$(234)	$ -	$ 2,289

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 the average expected remaining services life, except for the difference between expected and actual investment earnings, which is amortized over five 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $6,147,509 at December 31, 2016, and amortization expense, which is reported as part of interest expense, was $800,424 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.

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 position as restricted.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 27, 2017, the date the financial statements were available to be issued. See Note 10.

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	$ 41,391,970		$ 47,996,932			$ 89,388,902
Restricted	2,580,979	$111,216,944	22,044,253	$ 19,801,348	$ 23,300	155,666,824
Total Current Cash and Cash Equivalents	43,972,949	111,216,944	70,041,185	19,801,348	23,300	245,055,726
Noncurrent:						
Investments:						
Unrestricted	46,192,039		80,787,031			126,979,070
Restricted			5,620,960	4,287,589		9,908,549
Investments held against bonds			152,983,662	160,512,029	116,362,248	429,857,939
Total Noncurrent Investments	46,192,039	-	239,391,653	164,799,618	116,362,248	566,745,558
Total Cash, Cash Equivalents and Investments	$ 90,164,988	$111,216,944	$309,432,838	$184,600,966	$116,385,548	$811,801,284

Cash, cash equivalents and investments held by the Authority as of December 31, 2016 were as follows:

	Fair Value	Cost
Cash	$117,483,848	$117,483,847
Money market fund shares	127,571,878	127,571,878
Federal agency obligations	135,072,486	136,817,109
Federal agency obligations held against bonds	429,857,939	405,819,829
Municipal bonds	1,815,133	1,871,959
Total Cash, Cash Equivalents and Investments	$811,801,284	$789,564,622

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, 2016, all investments held by the Authority were in compliance with the requirements of the Indentures.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016, the Authority had the following cash equivalents and investments and related 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	$127,572	$127,572			
Federal agency obligations	135,072	938	$74,174	$44,773	$ 15,187
Federal agency obligations held against bonds	429,858			2,806	427,052
Municipal bonds	1,815		36		1,779
Cash Equivalents and Investments	$694,317	$128,510	$74,210	$47,579	$444,018

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, 2016, 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, 2016, all of the Authority's cash was deposited in an approved financial institution.

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	$127,572
Federal agency obligations	AA+	AAA	Aaa	135,072
Federal agency obligations held against bonds	AA+	AAA	Aaa	429,858
Municipal bonds	AA+	AAA	Aa2	1,815
Total				$694,317

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

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	56.76%
Morgan Stanley Governmental Institutional Money Market	10.33%
Small Business Administration	9.35%
Federal Home Loan Mortgage Corporation	8.76%
Blackrock Federal Fund Institutional Money Market	7.88%

NOTE 4 - FAIR VALUE MEASUREMENTS

The Authority has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy as part of the implementation of GASB Statement No. 72. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Authority makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Authority for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2016.

Money Market Fund Shares: Valued at the published net asset value (NAV), as reported by each fund, of the shares held by the Authority at the reporting date. These funds are deemed to be actively traded.

Federal Agency Obligations and Municipal Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities.

Interest Rate Swap: Valued by a third-party using models which include assumptions about the USD-SIFMA interest rate at the reporting date. The Authority uses the fair value provided by the third-party without adjustment. See Note 6.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Authority's assets and liabilities that are measured (in thousands) at fair value on a recurring basis as of December 31, 2016:

2016	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Money market fund shares	$127,572			$127,572
Federal agency obligations		$564,930		564,930
Municipal bonds		1,815		1,815
Assets at fair value	$127,572	$566,745		$694,317
Liabilities:				
Derivatives instrument -				
Interest rate swap			$2,029	$ 2,029

At December 31, 2016, the Authority had no other assets or liabilities that are measured at fair value on a recurring basis. See Note 6 for further discussion on the interest rate swap.

NOTE 5 - ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable at December 31, 2016, were as follows:

General Fund:	
Loans provided to subrecipients of certain programs	$ 187,312
Next Home Ownership Mortgage Down Payment Assistance Loans	16,993,852
Accounts receivable	1,451,864
Mortgage loans	103,160
	18,736,189
Less: Allowance for uncollectible loans	(17,201,414)
	$ 1,534,774
Current	$ 1,431,614
Noncurrent	$ 103,160

NOTE 5 - ACCOUNTS AND LOANS RECEIVABLE (CONTINUED)

Program Fund:	
Reimbursements due from other governments	$ 4,733,554
Section 1602 Tax Credit Exchange Program loans	153,433,344
Tax Credit Assistance Program loans	17,205,996
Rural Rental Housing loans	1,876,840
Home Investment Partnerships Program loans	11,625,728
Community Development Block Grant loans	15,954,520
Development Fund loans	37,697,747
Hardest Hit Fund loans	127,482,240
	370,009,969
Less: Allowance for uncollectible loans	(283,830,571)
	$ 86,179,398
Current	$ 19,457,016
Noncurrent	$ 66,722,382

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.

NOTE 6 - BONDS PAYABLE

Bonds payables at December 31, 2016, consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2006 Series B-3:		
Taxable PAC bonds (5.90%), due 2037	$ 50,000	$ 3,580
	50,000	3,580
2007 Series A-1:		
Term bonds (4.375%), due 2017	2,585	560
Term bonds (4.65%), due 2022	7,155	1,020
Term bonds (4.78%), due 2027	9,415	315
Term bonds (4.80%), due 2032	12,405	5,285
Term bonds (4.875%), due 2039	22,620	9,630
	54,180	16,810
2010 Series 08A-2:		
Term bonds (variable), due 2039	85,000	43,225
	85,000	43,225
2008 Series A-3:		
Serial bonds (5.125% to 5.30%), due 2017 - 2018	16,500	875
Term bonds (5.95%), due 2023	7,015	860
Term bonds (6.125%), due 2029	11,165	1,375
Term bonds (6.25%), due 2033	13,370	1,635
Term bonds (6.45%), due 2040	18,370	2,250
	66,420	6,995
2016 Series A-1:		
Serial bonds (2.20% to 2.55%), due 2025 - 2027	8,220	8,220
Term bonds (2.85%), due 2031	14,735	14,735
Term bonds (2.95%), due 2033	7,045	7,045
	30,000	30,000
2016 Series A-2:		
Serial bonds (.94% to 2.50%), due 2017 - 2025	23,565	23,565
Taxable PAC bonds (3.50%), due 2038	25,990	25,990
	49,555	49,555
Total Single Family Fund	$ 335,155	$ 150,165

NOTE 6 - BONDS PAYABLE (CONTINUED)

Home First Fund	Original Amount	Balance
2009 Series A-3:		
Term bonds (2.32%), due 2041	$ 36,000	$ 21,260
	36,000	21,260
2009 Series A-4:		
Term bonds (2.49%), due 2041	78,000	49,770
	78,000	49,770
2009 Series A-5:		
Term bonds (2.73%), due 2041	39,000	28,300
	39,000	28,300
2010 Series A:		
Serial bonds (2.60% to 3.55%), due 2017 - 2021	12,225	3,660
Term bonds (4.00%), due 2025	6,035	3,515
PAC bonds (4.50%), due 2028	5,740	1,845
	24,000	9,020
2011 Series A:		
Serial bonds (2.50% to 3.625%), due 2017 - 2021	9,070	2,680
Term bonds (4.45%), due 2027	7,430	4,020
PAC bonds (4.50%), due 2028	7,500	2,675
	24,000	9,375
2011 Series B:		
Serial bonds (2.15% to 4.00%), due 2017 - 2021	8,825	3,635
Term bonds (4.00%), due 2027	7,675	4,295
PAC bonds (4.00%), due 2028	7,500	2,690
	24,000	10,620
2011 Series C:		
Serial bonds (3.00% to 5.00%), due 2017 - 2022	26,325	12,210
Term bonds (4.10%), due 2027	7,905	5,475
PAC bonds (4.50%), due 2027	12,680	5,700
	46,910	23,385
Total Home First Fund	$ 271,910	$ 151,730

NOTE 6 - BONDS PAYABLE (CONTINUED)

MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1:		
Term bonds (3.029%), due 2038	$ 73,532	$ 24,577
	73,532	24,577
2013 Series 1:		
Taxable Term bonds (3.027%), due 2041	62,674	36,935
	62,674	36,935
2013 Series 2:		
Taxable Term bonds (4.038%), due 2036	51,839	30,148
	51,839	30,148
2014 Series 1:		
Taxable Term bonds (4.050%), due 2038	28,667	15,593
	28,667	15,593
Total MBS Pass-Thru Fund	$ 216,712	$ 107,253
Total Bonds Payable	$ 823,777	$ 409,148

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 bonds included 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 July 1, 2039, and the interest rate is adjusted daily to the market rate.

NOTE 6 - 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, 2016 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
2017	$ 3,140	$ 5,082	$ 6,035	$ 4,543		$ 3,711	$ 9,175	$ 13,336	$ 22,511
2018	3,025	5,005	5,980	4,303		3,711	9,005	13,019	22,024
2019	4,110	4,934	5,265	4,086		3,711	9,375	12,731	22,106
2020	4,320	4,833	5,470	3,910		3,711	9,790	12,454	22,244
2021	4,555	4,721	5,500	3,718		3,711	10,055	12,150	22,205
2022-2026	25,650	21,577	27,325	15,652		18,557	52,975	55,786	108,761
2027-2031	33,655	17,056	29,715	10,411		18,557	63,370	46,024	109,394
2032-2036	46,950	9,941	33,170	6,482	$ 30,148	18,102	110,268	34,525	144,793
2037-2041	24,760	1,501	33,270	2,280	77,105	7,514	135,135	11,295	146,430
Original issue premium	1,576		1,723		2,745		6,044		6,044
Original issue discount			(5)				(5)		(5)
Total	$ 151,741	$ 74,650	$ 153,448	$ 55,385	$ 109,998	$ 81,285	$ 415,187	$ 211,320	$ 626,508

The summary of bonds payable as of December 31, 2016 (dollars in thousands) was as follows:

Interest Rate Ranges	Maturity Range	Payment Range of Principal	Total
1.44% - 6.45%	2017 - 2041	$7,385 - $56,155	$409,148

Changes in Obligations

The following are changes in noncurrent liabilities of the Authority for the year ended December 31, 2016 (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due within one year	Amounts due thereafter
Bonds payable	$ 455,943	$ 79,555	$ 126,349	$ 409,149	$ 9,175	$ 399,974
Add: original issue premium	5,636	408		6,044		6,044
Less: original issue discount	(6)	1		(5)		(5)
Derivative instrument - interest rate swap	3,440		1,411	2,029		2,029
Pension liability	3,776	1,213		4,989		4,989
Other liabilities	365		365			
	$ 469,154	$ 81,177	$ 128,125	$ 422,206	$ 9,175	$ 413,031

NOTE 6 - 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 $126,349,369 of bonds in 2016 from mortgage loan payments and prepayments. The bond redemptions resulted in write-offs of unamortized discounts 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 a 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, 2016, 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	$ 43,225,000	12/2/2008	3.445%	USD-SIFMA	$ (2,029,285)	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 ($2,029,285) as of December 31, 2016. 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, 2016, 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 6 - 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, 2016, 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 Swaps, Net	Total
2017	$ 4,210,000	$ 579,744	$ 988,383	$ 5,778,127
2018	4,480,000	512,856	874,348	5,867,204
2019	5,755,000	434,736	741,165	6,930,901
2020	5,265,000	357,120	608,840	6,230,960
2021	4,775,000	286,596	488,606	5,550,202
2022-2026	17,310,000	601,128	1,024,840	18,935,968
2027	1,430,000	1,872	3,192	1,435,064
	$ 43,225,000	$ 2,774,052	$ 4,729,374	$ 50,728,426

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, 2016, the Authority had outstanding conduit debt of $159,428,642.

NOTE 7 - COMMITMENTS

Lease

The Authority leases its office space under a noncancellable operating lease agreement through 2023. Lease expense for 2016 was $464,271. The table below shows the required payments for rent and anticipated operating expenses for the remaining term of the lease.

Year	Payments
2017	$ 557,649
2018	559,558
2019	561,544
2020	563,609
2021	565,756
2022-2023	1,138,302
Total	$3,946,418

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. As of December 31, 2016, the Authority's had no liability for excess earnings.

NOTE 8 - 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 PER FASA 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 8 - 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 8 - 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, 2016; however, eligible members received a one-time check (a.k.a. 13th check) by September 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, 2016
Liability valuation date and method:	June 30, 2015 – Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2015 to June 30, 2016.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed April 2015 and reflects the experience period from July 1, 2010 to June 30, 2014

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Investment rate of return:	6.75%
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
Public equity	22.0%	5.7%
Private equity	10.0%	6.2%
Fixed income – Ex inflation-linked	24.0%	2.7%
Fixed income – Inflation-linked	7.0%	0.7%
Commodities	8.0%	2.0%
Real estate	7.0%	2.7%
Absolute return	10.0%	4.0%
Risk parity	12.0%	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 percent), or one percentage point higher (7.75 percent) than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$7,164,894	$4,988,658	$3,179,877

NOTE 8 - 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, 2016, 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 4.6 percent for the fiscal year ended June 30, 2016, 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, 2016, the Authority reported a liability of $4,988,658 for its proportionate share of the net pension liability. The Authority's proportionate share of the net pension liability was based on the Authority's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2016 measurement date was 0.00010992.

NOTE 8 - RETIREMENT PLAN (CONTINUED)

For the year ended December 31, 2016, the Authority recognized pension expense of $1,246,331, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $372,220. At December 31, 2016, 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	$ 111,765	$ 9,209
Net differences between project and actual earnings on pension plan investments	1,097,235	280,693
Changes of assumptions	220,104	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	720,112	67,467
Total that will be recognized in pension expense (income) based on table below	2,149,216	357,369
Pension contribution subsequent to measurement date	267,071	
Total	$2,416,287	$357,369

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
2017	$ (786,714)
2018	(529,115)
2019	(343,247)
2020	(132,771)
	$(1,791,847)

NOTE 9 - 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.

NOTE 10 - SUBSEQUENT EVENTS

Effective January 18, 2017, the Authority issued $44,070,000 of Single Family Mortgage Revenue Bonds, Series 2017 A. The issue refunded the Single Family Bond Series 2007 A and financed new mortgage loans under the Single Family Mortgage Loan Program. The Series Single Family Bond Series 2007 A Bonds, totaling $15,700,000, were fully redeemed on February 13, 2017.

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*

	2016	2015	2014	2013
Authority's proportion of the net position liability	0.10992%	0.09270%	0.09168%	0.06410%
Authority's proportionate share of the net pension liability	$4,988,658	$3,775,580	$2,409,291	$2,195,476
Authority's covered-employee payroll	$5,268,120	$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	94.7%	85.0%	53.8%	54.9%
Plan fiduciary net position as a percentage of the total pension liability	75.3%	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*

	2016	2015	2014	2013
Contractually required contribution	$ 576,232	$ 497,297	$ 501,337	$ 387,737
Contributions in relation to the contractually required contribution	576,232	497,297	501,337	387,737
Contribution deficiency	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$5,268,120	$4,440,142	$4,476,208	$3,997,291
Contributions as a percentage of covered-employee payroll	10.9%	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.