Indiana Housing & Community Development Authority

A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2018

Indiana Housing and Community Development Authority

A Component Unit of the State of Indiana
December 31, 2018

Contents

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Independent Auditors' Report

Board of Trustees
Indiana Housing and Community Development Authority
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Indiana Housing and Community Development Authority (Authority), a component unit of the State of Indiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of the Authority's proportionate share of the net pension liability and the Authority's contributions as listed in the table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, including the combining schedule of net position, combining schedule of revenues, expenses and changes in net position and combining schedule of cash flows, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 10, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Management's discussion and analysis of the Indiana Housing and Community Development Authority's (Authority) financial performance provides an overview of the financial activities for the year ended December 31, 2018. 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 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 noncurrent 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.

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2018

Financial Highlights

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

	2018	2017	Change	% Change
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents				
Unrestricted	$ 87,820,025	$ 67,923,256	$ 19,896,769	29%
Restricted	160,517,988	244,767,358	(84,249,370)	-34%
Accrued interest receivable				
Investments	782,345	685,711	96,634	14%
Investments held against bonds	1,448,254	1,223,904	224,350	18%
Accounts and loan receivable, net	26,706,304	12,507,764	14,198,540	114%
Other assets	1,026,257	553,102	473,155	86%
Total current assets	278,301,173	327,661,095	(49,359,922)	-15%
Noncurrent Assets				
Investments				
Unrestricted	126,777,146	149,158,465	(22,381,319)	-15%
Restricted	18,373,838	12,078,654	6,295,184	52%
Investments held against bonds	475,729,508	423,778,606	51,950,902	12%
Accounts and loans receivable, net	90,486,577	83,514,408	6,972,169	8%
Capital assets, at cost, less accumulated depreciation	2,462,377	1,941,520	520,857	27%
Total noncurrent assets	713,829,446	670,471,653	43,357,793	6%
Total assets	992,130,619	998,132,748	(6,002,129)	-1%
Deferred Outflows of Resources				
Deferred pension costs	519,514	1,202,263	(682,749)	-57%
Accumulated decrease in fair value of derivative	9,213	845,900	(836,687)	-99%
Deferred refunding costs	2,068,404	2,824,727	(756,323)	-27%
Total deferred outflows of resources	2,597,131	4,872,890	(2,275,759)	-47%
Total assets and deferred outflows of resources	$ 994,727,750	$ 1,003,005,638	$ (8,277,888)	-1%
Liabilities, Deferred Inflows of Resources and Fund Balances				
Current Liabilities				
Bonds payable	$ 10,965,000	$ 10,375,000	$ 590,000	6%
Accrued interest payable	4,370,562	3,657,958	712,604	19%
Unearned revenue	58,709,833	64,323,258	(5,613,425)	-9%
Capital lease liability	87,021	-	87,021	100%
Accounts payable and other liabilities	8,833,283	5,988,747	2,844,536	47%
Total current liabilities	82,965,699	84,344,963	(1,379,264)	-2%
Noncurrent Liabilities				
Bonds payable	455,135,468	464,297,539	(9,162,071)	-2%
Original issue premium	7,488,601	7,542,745	(54,144)	-1%
Original issue discount	-	(2,252)	2,252	-100%
Bonds payable, net	462,624,069	471,838,032	(9,213,963)	-2%
Notes payable	1,765,049	1,836,555	(71,506)	-4%
Derivative instrument - interest rate swap agreements	9,213	1,212,541	(1,203,328)	-99%
Pension liability	3,339,635	4,314,313	(974,678)	-23%
Capital lease liability	359,901	-	359,901	0%
Total noncurrent liabilities	468,097,867	479,201,441	(11,103,574)	-2%
Total liabilities	551,063,566	563,546,404	(12,482,838)	-2%
Deferred Inflows of Resources				
Deferred pension revenue	706,019	354,167	351,852	99%
Net Position				
Net investment in capital assets	2,015,455	1,941,520	73,935	4%
Restricted	229,732,480	224,563,618	5,168,862	2%
Unrestricted	211,210,230	212,599,929	(1,389,699)	-1%
Total net position	442,958,165	439,105,067	3,853,098	1%
Total liabilities, deferred inflows of resources and net position	$ 994,727,750	$ 1,003,005,638	$ (8,277,888)	-1%

Total assets and deferred outflows of resources decreased by $8.3 million or 1 percent. The primary reason for this decrease was a net decrease in cash and cash equivalents of $64.4 million offset by a net increase in noncurrent investments held against bonds of $52.0 million. There was also a decrease in the noncurrent investments of $16.1 million offset by an increase in current and noncurrent net accounts and loans receivable of $21.2 million. The series of new bonds issued provided increased lendable proceeds and funding for down payment assistance.

The deferred outflows of resources decreased $2.3 million due to the decrease in deferred pension costs of $0.7 million and the reduction created by the adjustment in the fair value of the 2008 Series A-2, 2017 Series B-3, and 2017 Series C-3 interest rate swaps of $0.8 million with the remainder in the amortization of the deferred refunding costs of $0.8 million.

Total liabilities decreased $12.5 million. Current liabilities decreased $1.4 million primarily due to a decrease in program unearned revenue of $5.6 million offset by an increase in accounts payable and other liabilities of $2.8 million, while noncurrent liabilities decreased $11.1 million due mostly to bonds payable.

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $443.0 million at December 31, 2018. This increased $3.9 million between years.

Total net position at December 31, 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Assets and deferred outflows of resources	$ 994.7	$ 1,003.0
Liabilities and deferred inflows of resources	551.8	563.9
Net position	$ 442.9	$ 439.1

Operating Analysis

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

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments	$ 8,568,653	$ 5,062,031	$ 3,506,622	69%
Investments held against bonds	17,226,613	16,590,039	636,574	4%
Loans	914,969	1,018,257	(103,288)	-10%
Fee income	5,004,044	5,334,026	(329,982)	-6%
Program income	404,770,624	371,910,198	32,860,426	9%
Gain on sale of Next Home investments	8,207,168	10,278,394	(2,071,226)	-20%
Net decrease in fair value of investments	(10,291,743)	(7,863,870)	(2,427,873)	31%
Other income	317,853	631,787	(313,934)	-50%
Total revenues	434,718,181	402,960,862	31,757,319	8%
Expenses				
Investment expense (down payment assistance)	9,435,171	8,464,519	970,652	11%
Loss on sale of investments	2,035,236	1,245,215	790,021	63%
Interest expense	14,271,589	14,100,556	171,033	1%
Issuance costs	820,251	1,807,136	(986,885)	-55%
Program expenses	383,152,564	350,072,296	33,080,268	9%
General and administrative expenses	21,150,272	19,468,061	1,682,211	9%
Total expenses	430,865,083	395,157,783	35,707,300	9%
Change in Net Position	3,853,098	7,803,079	(3,949,981)	-51%
Net Position, Beginning of Year	439,105,067	431,301,988	7,803,079	2%
Net Position, End of Year	$ 442,958,165	$ 439,105,067	$ 3,853,098	1%

In 2018, total operating revenues were $434.7 million. This was comprised of federal and state program income of $404.8 million, interest income of $26.7 million, gains on the sale of Next Home mortgages and investments of $8.2 million, a decrease in the fair value of investments of $10.3 million, and $5.3 million in fee and other income. This compares to $403.0 million of total operating revenues in 2017. The overall increase in revenue of $31.8 million is mostly due to decreases in the federal program recognition/funding of $23.9 million from the Hardest Hit Fund, $3.0 million from Performance Based Contract Admin, and $2.0 million from the Home Investment Partnerships Program, offset by an increase in the Low-Income Home Energy Assistance Program for $48.8 million, Community Development Block Grant–Disaster for $3.9 million, and Development Fund Tobacco Tax for $0.9 million. There was also a decrease between years in the gain on the sale of investments, primarily Next Home investments of $2.1 million.

Total operating expenses in 2018 were $430.9 million, which includes $383.2 million of federal and state program expenses, $14.3 million of interest expense on bonds, $21.2 million of general and administrative expense, $9.4 million in down payment assistance, $0.8 million in issuance costs and $2.0 million loss on the sale of investments.

This compares to $395.2 million of total operating expenses in 2017. The overall increase of $35.7 million was primarily due to the increase in program expense between the years of $33.1 million. This correlates to the increase in the program revenues. Program expense increases consist primarily of the Low-Income Home Energy Assistance Program of $48.7 million and the Community Development Block Grant-Disaster Program of $3.9 million, offset by the decrease for the Hardest Hit Fund Program of $24.3 million, Performance Based Contract Admin of $3.2 million, and the Home Investment Partnerships Program of $2.0 million. Interest expense increased $0.2 million between years while issuance costs had a decrease of $1.0 million. Loss on sale of investments increased by $0.8 million and investment expense also increased by $1.0 million. General and administrative costs increased $1.7 million, which consisted primarily of the IHCDA General Fund of $0.6 million and the IHCDA Program Fund of $0.9 million.

Total operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 434.7	$ 403.0
Operating expenses	430.9	395.2
Operating income	$ 3.8	$ 7.8

Governmental Accounting Standards Board (GASB) Statement 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 and has no direct effect on actual cash flows of the Authority. The related adjustment should be tempered with the understanding that the underlying assets primarily are not readily marketable due to their relationship with the bond indentures. The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net decrease of $10.3 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2018 was $14.1 million resulting in a net decrease in the change in net position of $1.5 million between years.

	2018	2017	Change	% Change
Change in net position	$ 3,853,098	$ 7,803,079	$ (3,949,981)	-51%
Net decrease in fair value of investments	(10,291,743)	(7,863,870)	(2,427,873)	31%
Change in net position excluding GASB No. 31 adjustment	$ 14,144,841	$ 15,666,949	$ (1,522,108)	-10%

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

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments	$ 2,983,390	$ 2,288,116	$ 695,274	30%
Fee income	5,004,044	5,099,740	(95,696)	-2%
Gain on sale of investments	8,205,645	10,274,316	(2,068,671)	-20%
Net decrease in fair value of investments	(444,813)	(245,011)	(199,802)	82%
Other income	317,853	631,787	(313,934)	-50%
Total revenues	16,066,119	18,048,948	(1,982,829)	-11%
Expenses				
Investment expense (down payment assistance)	5,091,652	6,549,799	(1,458,147)	-22%
Loss on sale of investments	384,727	416,917	(32,190)	-8%
Interest expense	15,441	-	15,441	100%
Program expenses	232,060	45,502	186,558	410%
General and administrative expenses	6,895,777	6,328,374	567,403	9%
Total expenses	12,619,657	13,340,592	(720,935)	-5%
Operating Income	3,446,462	4,708,356	(1,261,894)	-27%
Transfers				
Interfund transfers	3,986,170	141,799	3,844,371	2711%
Change in Net Position	7,432,632	4,850,155	2,582,477	53%
Net Position, Beginning of Year	97,066,337	92,216,182	4,850,155	5%
Net Position, End of Year	$ 104,498,969	$ 97,066,337	$ 7,432,632	8%

In 2018, total operating revenues for the General Fund were $16.1 million. This was comprised of gains on the sale of investments, primarily Next Home mortgages of $8.2 million, interest income of $3.0 million, $5.3 million in fees and other income, and a decrease in the fair value of investments of $0.4 million. This compares to $18.0 million of total operating revenues in 2017. The overall decrease in revenue of $2.0 million is mostly attributable to the decrease in the gains on the sales of Next Home mortgages of $2.1 million, the decrease in other income of $0.3 million consisting of multi-family bonds reservations, the increase in interest income of $0.7 million, reduction in the fair value of investments of $0.2 million, and the decrease in income from real estate development application and monitoring fees of $0.1 million.

Total operating expenses for the General Fund in 2018 were $12.6 million, which includes $5.1 million in down payment assistance, $6.9 million of general and administrative expenses, $0.4 million in loss on sale of investments, and $0.2 million of program expenses. This compares to $13.3 million of total operating expenses in 2017. Total operating expenses decreased by $0.7 million, due to a decrease between years of $1.5 million in down payment assistance volume offset by an increase in General and Administrative costs of $0.6 million. There was a higher need for program repayment and disaster assistance netting to an increase in that area of $0.2 million between years.

There were $4.0 million in inter-fund transfers into the General Fund in 2018 and $0.1 million in 2017.

Total General Fund operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 16.1	$ 18.0
Operating expenses	12.6	13.3
Operating income	3.5	4.7
Interfund transfers	4.0	0.1
Change in net position	$ 7.5	$ 4.8

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 $0.4 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2018 was $7.9 million resulting in a net increase in the change in net position of $2.8 million between years. The increase between years is attributable to the $4.0 million inter-fund transfer to the General Fund from the IHCDA Single Family Fund for the Honor Our Veterans new program initiative in 2018.

	2018	2017	Change	% Change
Change in net position	$ 7,432,632	$ 4,850,155	$ 2,582,477	53%
Net decrease in fair value of investments	(444,813)	(245,011)	(199,802)	82%
Change in net position without GASB No. 31 adjustment	$ 7,877,445	$ 5,095,166	$ 2,782,279	55%

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

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments	$ 31,835	$ 3,429	$ 28,406	828%
Loans	914,969	1,018,257	(103,288)	-10%
Fee income	-	234,286	(234,286)	-100%
Program income	404,770,624	371,910,198	32,860,426	9%
Total revenues	405,717,428	373,166,170	32,551,258	9%
Expenses				
Interest expense	18,690	16,352	2,338	14%
Program expenses	382,920,504	350,026,794	32,893,710	9%
General and administrative expenses	13,077,392	12,162,602	914,790	8%
Total expenses	396,016,586	362,205,748	33,810,838	9%
Operating Income	9,700,842	10,960,422	(1,259,580)	-11%
Transfers				
Interfund transfers	13,830	(141,799)	155,629	-110%
Change in Net Position	9,714,672	10,818,623	(1,103,951)	-10%
Net Position, Beginning of Year	153,730,233	142,911,610	10,818,623	8%
Net Position, End of Year	$ 163,444,905	$ 153,730,233	$ 9,714,672	6%

In 2018, total operating revenues for the Program Fund were $405.7 million. This was primarily comprised of federal and state program revenues of $404.8 million. This compares to $373.2 million of total operating revenues in 2017. The overall increase in revenue of $32.6 million is primarily from the increase in the program income for Low-Income Home Energy Assistance Program and the Community Development Block Grant-Disaster Program, offset by the decrease in the Hardest Hit Fund Program, Performance Based Contract Admin, and the Home Investment Partnerships Program.

Total operating expenses for the Program Fund in 2018 were $396.0 million, which includes $382.9 million in program expenses, and $13.1 million of general and administrative expense. This compares to $362.2 million of total operating expenses in 2017. Total operating expenses increased by $33.8 million, which primarily consists of the increase in program expense of $32.9 million and an increase in the general and administrative expenses of $0.9 million. This program expense increase correlates to the increases in the aforementioned discussion on program revenues.

Total Program Fund operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 405.7	$ 373.2
Operating expenses	396.0	362.2
Operating income	9.7	11.0
Interfund transfers	-	(0.1)
Change in net position	$ 9.7	$ 10.9

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 IHCDA Single Family Fund:

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments	$ 4,917,500	$ 2,522,869	$ 2,394,631	95%
Investments held against bonds	9,032,243	7,000,999	2,031,244	29%
Gain on sale of investments	1,523	4,078	(2,555)	-63%
Net decrease in fair value of investments	(4,141,387)	(2,144,266)	(1,997,121)	93%
Total revenues	9,809,879	7,383,680	2,426,199	33%
Expenses				
Investment expense (down payment assistance)	4,343,519	1,914,720	2,428,799	127%
Loss on sale of investments	1,426,693	828,298	598,395	72%
Interest expense	7,392,015	5,861,092	1,530,923	26%
Issuance costs	820,251	1,807,136	(986,885)	-55%
General and administrative expenses	804,048	548,160	255,888	47%
Total expenses	14,786,526	10,959,406	3,827,120	35%
Operating Loss	(4,976,647)	(3,575,726)	(1,400,921)	39%
Transfers				
Interfund transfers	(3,664,003)	366,152	(4,030,155)	-1101%
Change in Net Position	(8,640,650)	(3,209,574)	(5,431,076)	169%
Net Position, Beginning of Year	152,341,865	155,551,439	(3,209,574)	-2%
Net Position, End of Year	$ 143,701,215	$ 152,341,865	$ (8,640,650)	-6%

In 2018, total operating revenues for the Single Family Fund were \$9.8 million, which consists of interest income of \$13.9 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of \$4.1 million. This compares to \$7.4 million of total operating revenues in 2017. The overall increase in revenue of \$2.4 million is primarily related to increased interest income of \$4.4 million offset by the negative impact of the GASB No. 31 adjustment of \$2.0 million.

Total operating expenses for the Single Family Fund in 2018 were \$14.8 million, which includes \$7.4 million in interest expenses, \$4.4 million in down payment assistance, \$0.8 million in bond issuance costs, \$1.4 million in loss on sale of investments, and \$0.8 million of general and administrative expense. This compares to \$11.0 million of total operating expenses in 2017. Total operating expenses increased by \$3.8 million, which correlates primarily to the increase in down payment assistance of \$2.4 million, general and administrative expenses of \$0.3 million, loss on sale of investments of \$0.6 million, and \$1.5 million in interest expense offset by a decrease in bond issuance costs of \$1.0 million due to only a single bond issue in 2018 compared to three issuances in 2017.

There were \$3.7 million in inter-fund transfers out of the Single Family Fund in 2018, while there were \$0.4 million in inter-fund transfers into the fund in 2017. The inter-fund transfer included \$4.0 million from the IHCDA Single Family Fund to the General Fund for the Honor Our Veterans new program initiative in 2018.

Total Single Family Fund operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 9.8	$ 7.4
Operating expenses	14.8	11.0
Operating income	(5.0)	(3.6)
Interfund transfers	(3.7)	0.4
Change in net position	$ (8.7)	$ (3.2)

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 $4.1 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2018 was $(4.5) million resulting in a net decrease in the change in net position of $3.4 million between years.

	2018	2017	Change	% Change
Change in net position	$ (8,640,650)	$ (3,209,574)	$ (5,431,076)	169%
Net decrease in fair value of investments	(4,141,387)	(2,144,266)	(1,997,121)	93%
Change in net position without GASB No. 31 adjustment	$ (4,499,263)	$ (1,065,308)	$ (3,433,955)	322%

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

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments	$ 635,928	$ 247,617	$ 388,311	157%
Investments held against bonds	4,677,200	5,406,148	(728,948)	-13%
Net decrease in fair value of investments	(2,857,013)	(2,095,685)	(761,328)	36%
Total revenues	2,456,115	3,558,080	(1,101,965)	-31%
Expenses				
Loss on sale of investments	223,816	-	223,816	100%
Interest expense	3,662,837	4,377,378	(714,541)	-16%
General and administrative expenses	362,357	416,225	(53,868)	-13%
Total expenses	4,249,010	4,793,603	(544,593)	-11%
Change in Net Position	(1,792,895)	(1,235,523)	(557,372)	45%
Net Position, Beginning of Year	29,995,241	31,230,764	(1,235,523)	-4%
Net Position, End of Year	$ 28,202,346	$ 29,995,241	$ (1,792,895)	-6%

In 2018, total operating revenues for the Home First Fund were $2.5 million, which consists of interest income of $5.3 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of $2.8 million. This compares to $3.6 million of total operating revenues in 2017. The overall decrease in revenue of $1.1 million is related primarily to the impact of the GASB No. 31 adjustment of $0.8 million coupled with reduced interest income of $0.3 million, which correlates to the reduction in investments held against bonds.

Total operating expenses for the Home First Fund in 2018 were $4.2 million, which includes $3.7 million in interest expenses, $0.4 million of general and administrative expense, and $0.2 million of losses on sales of investments. This compares to $4.8 million of total operating expenses in 2017. Total operating expenses decreased by $0.6 million, which correlates primarily to the reduction of interest expense on the bonds of $0.7 million.

There were no interfund transfers in 2018 or 2017.

Total Home First Fund operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 2.5	$ 3.6
Operating expenses	4.2	4.8
Operating income	$ (1.7)	$ (1.2)

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 $2.9 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2018 was $1.1 million resulting in a net increase in the change in net position of $0.2 million between years.

	2018	2017	Change	% Change
Change in net position	$ (1,792,895)	$ (1,235,523)	$ (557,372)	45%
Net decrease in fair value of investments	(2,857,013)	(2,095,685)	(761,328)	36%
Change in net position without GASB No. 31 adjustment	$ 1,064,118	$ 860,162	$ 203,956	24%

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

	2018	2017	Change	% Change
Revenues				
Interest income				
Investments held against bonds	$ 3,517,170	$ 4,182,892	$ (665,722)	-16%
Net decrease in fair value of investments	(2,848,530)	(3,378,908)	530,378	-16%
Total revenues	668,640	803,984	(135,344)	-17%
Expenses				
Interest expense	3,182,606	3,845,734	(663,128)	-17%
General and administrative expenses	10,698	12,700	(2,002)	-16%
Total expenses	3,193,304	3,858,434	(665,130)	-17%
Operating Loss	(2,524,664)	(3,054,450)	529,786	-17%
Transfers				
Interfund transfers	(335,997)	(366,152)	30,155	-8%
Change in Net Position	(2,860,661)	(3,420,602)	559,941	-16%
Net Position, Beginning of Year	5,971,391	9,391,993	(3,420,602)	-36%
Net Position, End of Year	$ 3,110,730	$ 5,971,391	$ (2,860,661)	-48%

In 2018, total operating revenues for the MBS Pass-Thru Fund were $0.7 million, which consists of interest income of $3.5 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of $2.8 million. This compares to $0.8 million of total operating revenues in 2017. The overall decrease in revenue of $0.1 million is related to the combined impact of interest income relative to the pay down of investments for a decrease of $0.6 million coupled with the decreased impact of the GASB No. 31 adjustment of $0.5 million.

Total operating expenses for the MBS Pass-Thru Fund in 2018 were $3.2 million, which is primarily the $3.2 million in interest expenses. General and administrative expenses were negligible. This compares to $3.9 million of total operating expenses in 2017. Total operating expenses decreased by $0.7 million, which correlates primarily to the reduction of interest expense on the bonds.

There were $0.3 million inter-fund transfers out of the MBS Pass-Thru Fund in 2018 and $0.4 million in 2017.

Total MBS Pass-Thru Fund operating income for 2018 and 2017 was as follows (in millions of dollars):

	2018	2017
Operating revenues, gains and losses	$ 0.7	$ 0.8
Operating expenses	3.2	3.9
Operating income	(2.5)	(3.1)
Interfund transfers	(0.3)	(0.4)
Change in net position	$ (2.8)	$ (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 $2.8 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2018 was near breakeven resulting in a minimal net increase in the change in net position between years.

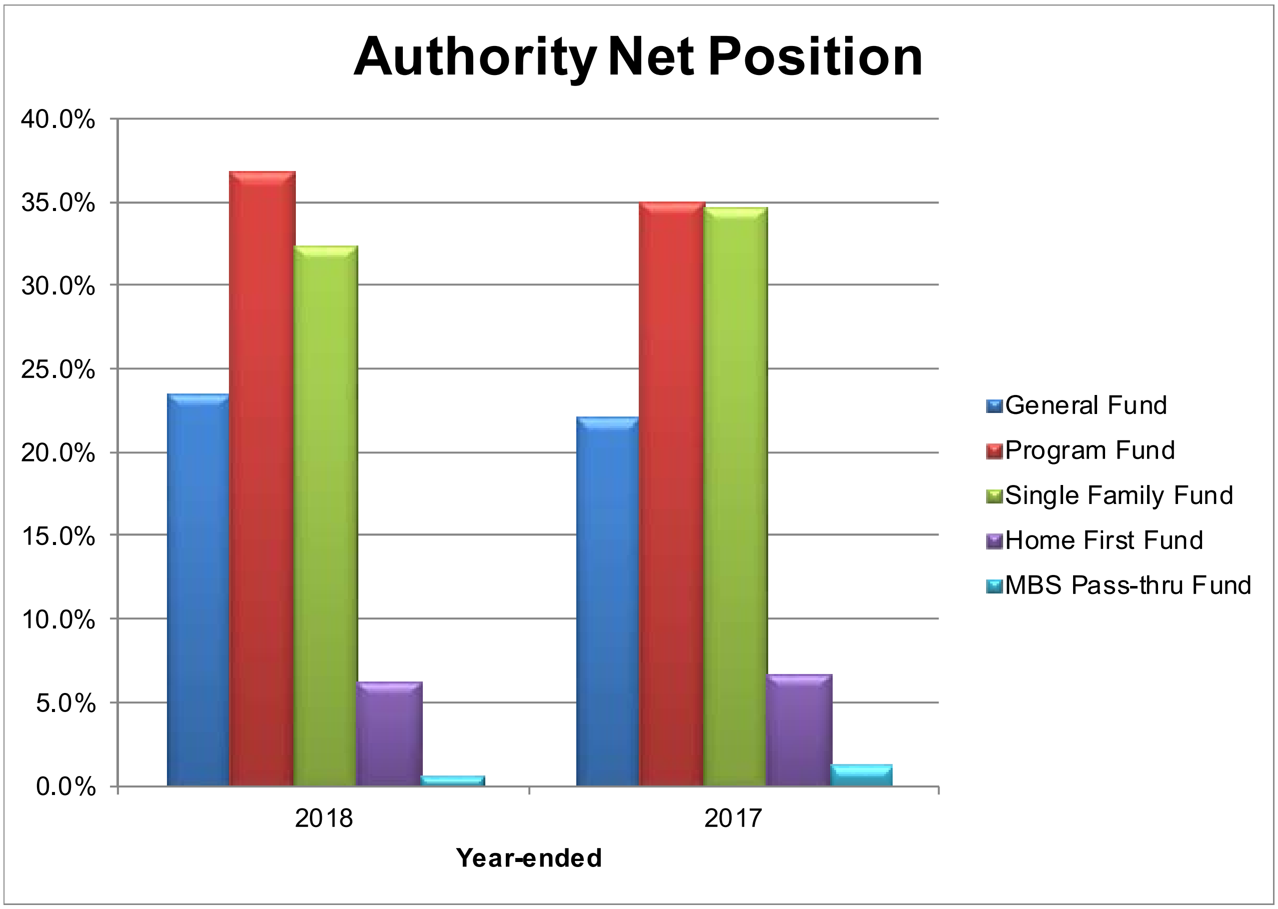
	2018	2017	Change	% Change
Change in net position	$ (2,860,661)	$ (3,420,602)	$ 559,941	-16%
Net decrease in fair value of investments	(2,848,530)	(3,378,908)	530,378	-16%
Change in net position without GASB No. 31 adjustment	$ (12,131)	$ (41,694)	$ 29,563	-71%

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, 2018, consisted of $229.7 million restricted by funding sources, $211.2 million unrestricted and available to meet the obligations of the Authority's operations, and $2.0 million net investment in capital assets. Unrestricted net position decreased $1.4 million or 1 percent, restricted net position increased $5.2 million or 2 percent, net investment in capital assets increased $0.1 million or 4 percent from the prior year end.

The increase of $5.2 million in restricted net position was primarily due to the increase in Federal Programs of $10.1 million offset by reductions for the Single Family bond indentures of $0.3 million, Home First Fund of $1.8 million, and MBS Pass-thru Fund of $2.9 million. The $1.4 million change in unrestricted net position was due to the decrease in unrestricted assets for the Single Family indenture of $8.3 million and Federal Programs of $0.4 million offset by the increase in the General Fund unrestricted cash and cash equivalents of $7.3 million.

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



Capital Assets

As of December 31, 2018 and 2017, the Authority had $2.5 million and $1.9 million, respectively, invested in capital assets, primarily computer software and hardware. During 2018 and 2017, the Authority had purchases of $1.2 million and $0.1 million, respectively, and depreciation expense of $0.7 million and $0.5 million, respectively. In 2018, the Authority entered into a capital lease for furniture and fixtures amounting to $0.8 million of the purchases with the remaining $0.4 related to software and hardware. In 2018, there were disposals amounting to $0.4 million.

Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium or discount, as of December 31, 2018, was $466.1 million, which decreased $8.6 million compared to $474.7 million as of December 31, 2017. This decrease was due to the $77.3 million of maturities and redemptions of bonds previously issued by the Authority, offset against the $68.7 million in mortgage revenue bond issuances in 2018. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch Ratings. (The Home First Bond Indenture is only rated by Moody's and the MBS Pass-Thru Indenture is only rated by Fitch.) More detailed information about the Authority's debt is presented in Note 5 to the financial statements.

The following new bonds were issued during 2018 (dollars in thousands):

Bond Series	Tax-Exempt Amount	Taxable Amount	Total	Moody's Rating	Fitch Rating
2018 Series A	$ 68,720	$ -	$ 68,720	Aaa	AAA
Total	$ 68,720	$ -	$ 68,720		

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 900, Indianapolis, IN 46204 or visit our website at www.in.gov/ihcda/.

BASIC FINANCIAL STATEMENTS

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position
December 31, 2018

	2018
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	
Unrestricted	$ 87,820,025
Restricted	160,517,988
Accrued interest receivable	
Investments	782,345
Investments held against bonds	1,448,254
Accounts and loans receivable, net	26,706,304
Other assets	1,026,257
Total current assets	278,301,173
Noncurrent Assets	
Investments	
Unrestricted	126,777,146
Restricted	18,373,838
Investments held against bonds	475,729,508
Accounts and loans receivable, net	90,486,577
Capital assets, at cost, less accumulated depreciation	2,462,377
Total noncurrent assets	713,829,446
Total assets	992,130,619
Deferred Outflows of Resources	
Deferred pension costs	519,514
Accumulated decrease in fair value of derivative	9,213
Deferred refunding costs	2,068,404
Total deferred outflows of resources	2,597,131
Total assets and deferred outflows of resources	$ 994,727,750

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position (Continued)
December 31, 2018

	2018
Liabilities, Deferred Inflows of Resources and Fund Balances	
Current Liabilities	
Bonds payable	$ 10,965,000
Accrued interest payable	4,370,562
Unearned revenue	58,709,833
Capital lease liability	87,021
Accounts payable and other liabilities	8,833,283
Total current liabilities	82,965,699
Noncurrent Liabilities	
Bonds payable	455,135,468
Original issue premium	7,488,601
Bonds payable, net	462,624,069
Notes payable	1,765,049
Derivative instrument - interest rate swap agreements	9,213
Pension liability	3,339,635
Capital lease liability	359,901
Total noncurrent liabilities	468,097,867
Total liabilities	551,063,566
Deferred Inflows of Resources	
Deferred pension revenue	706,019
Net Position	
Net investment in capital assets	2,015,455
Restricted	229,732,480
Unrestricted	211,210,230
Total net position	442,958,165
Total liabilities, deferred inflows of resources and net position	$ 994,727,750

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

Revenues	
Interest income	
Investments	$ 8,568,653
Investments held against bonds	17,226,613
Loans	914,969
Fee income	5,004,044
Program income	404,770,624
Gain on sale of Next Home investments	8,207,168
Net decrease in fair value of investments	(10,291,743)
Other income	317,853
Total revenues	434,718,181
Expenses	
Investment expense (down payment assistance)	9,435,171
Loss on sale of investments	2,035,236
Interest expense	14,271,589
Issuance costs	820,251
Program expenses	383,152,564
General and administrative expenses	21,150,272
Total expenses	430,865,083
Change in Net Position	3,853,098
Net Position, Beginning of Year	439,105,067
Net Position, End of Year	$ 442,958,165

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows
Year Ended December 31, 2018

	2018
Cash Flows From Operating Activities	
Receipts for services	$ 12,933,974
Receipts for program revenue	378,075,566
Principal received on loans receivable	31,337
Interest received on investments	8,473,542
Interest received on investments held against bonds	15,670,910
Interest received on loans	914,969
Payments for program expenses	(392,889,145)
Interest paid on bonds and bank loans	(13,169,303)
Debt issuance costs incurred	(820,251)
Investment expense	(4,343,519)
Payments for suppliers and employees	(12,894,843)
Net cash used in operating activities	(8,016,763)
Cash Flows From Non-Capital and Related Financing Activities	
Proceeds from bond issues	69,999,463
Repayments and redemption of bonds and bank loans	(77,363,579)
Net cash used in non-capital and related financing activities	(7,364,116)
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(409,799)
Payments on capital lease	(370,177)
Net cash used in capital and related financing activities	(779,976)
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	41,687,636
Principal received on investments held against bonds	54,361,051
Purchases of investments held against bonds	(116,158,883)
Purchase of investments	(28,081,550)
Net cash used in investing activities	(48,191,746)
Net Decrease in Cash and Cash Equivalents	(64,352,601)
Cash and Cash Equivalents, January 1	312,690,614
Cash and Cash Equivalents, December 31	$ 248,338,013
Cash and Cash Equivalents	
Cash	$ 121,904,175
Money market investments	119,937,743
Guaranteed investment contracts	6,496,095
Total cash and cash equivalents	$ 248,338,013

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows (Continued)
Year Ended December 31, 2018

		2018
Noncash Transactions from Capital and Related Financing Activities		
Issuance of capital lease obligation	$	817,099
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$	3,853,098
Adjustment to reconcile operating income to net cash provided by operating activities:		
Net decrease in fair value of investments		10,291,743
Loss on sale of investments		2,035,236
Depreciation		706,041
Amortization of bond premium/discount		(1,331,353)
Changes in operating assets and liabilities:		
Accounts and loan receivable		(21,170,709)
Accrued interest receivable		(320,984)
Other assets		(473,155)
Deferred pension costs		682,749
Deferred refunding costs		389,682
Unearned revenue		(5,613,425)
Accounts payable and other liabilities		2,844,536
Accrued interest payable		712,604
Net pension liability		(974,678)
Deferred pension revenue		351,852
Total adjustments		(11,869,861)
Net cash used in operating activities	$	(8,016,763)

Note 1: Authorizing Legislation and Funds

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

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

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

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

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 Mortgage-Backed Securities Pass-Thru Funds

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

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

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

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.

Following is a summary of the effects of valuing investment securities at fair value on total assets and deferred outflows of resources, net position and operating income (loss) as of and for the year ended December 31, 2018:

	Total Assets and Deferred Outflows of Resources	
	Fair Value	**Cost**
General Fund	$ 111,360,096	$ 112,337,735
Program Fund	230,340,171	230,340,171
Single Family Fund	432,970,417	430,149,288
Home First Fund	140,638,221	141,280,071
MBS Pass-thru Fund	79,418,845	76,539,434
Total assets and deferred outflows of resources	$ 994,727,750	$ 990,646,699

	Net Position	
	Fair Value	**Cost**
General Fund	$ 104,498,969	$ 105,476,608
Program Fund	163,444,905	163,444,905
Single Family Fund	143,701,215	140,880,086
Home First Fund	28,202,346	28,844,196
MBS Pass-thru Fund	3,110,730	231,319
Total net position	$ 442,958,165	$ 438,877,114

	Operating Income Fair Value	Operating Income Cost
General Fund	$ 3,446,462	$ 3,891,275
Program Fund	9,700,842	9,700,842
Single Family Fund	(4,976,647)	(835,260)
Home First Fund	(1,792,895)	1,064,118
MBS Pass-thru Fund	(2,524,664)	323,866
Total operating income	$ 3,853,098	$ 14,144,841

Accounts and Loans Receivable

Accounts and loans receivable consist primarily of forgivable and non-forgivable loans made to sub-recipients 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 expenses 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.

Interfund Accounts and Transfers

Funds are transferred from one fund to support expenses 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 inter fund 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 capitalizes fixed asset purchases over $5,000. 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 for 2018 was as follows:

	January 1, 2018	Additions	Disposals	December 31, 2018
Building improvement	$ 44,831	$ -	$ (44,831)	$ -
Furniture and equipment	336,255	817,099	(336,253)	817,101
Computer software	7,196,197	297,268	-	7,493,465
Computer hardware	1,022,517	112,531	-	1,135,048
	8,599,800	1,226,898	(381,084)	9,445,614
Less accumulated depreciation	(6,658,280)	(706,041)	381,084	(6,983,237)
Capital assets, net	$ 1,941,520	$ 520,857	$ -	$ 2,462,377

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. The deferred outflows of resources in the current year are related to pension, debt refunding costs and the accumulated decrease in the fair value of hedging derivatives. The deferred outflows of resources related to pension are for contributions made to the defined-benefit plan between the measurement date of the net pension liabilities from the plan and the end of the year. The debt refunding costs are being amortized over the life of the refunding bonds as a part of interest expense. In addition, deferred outflows of resources include the fair value of interest rate swap agreements (see Note 6).

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. Deferred inflows of resources are reported for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflows of resources is attributable to pension expense over a total of ten years, including the current year.

Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued when earned by the employee and the accrual is based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The state of Indiana self-insures workers' compensation benefits for all state employees, including Authority employees.

Unearned Revenue

Unearned revenue is reported in the financial statements. The availability period does not apply; however, amounts may not be considered earned due to eligibility requirements or other reasons.

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 of resources 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 differences 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.

Interest Rate Swap Agreements

The Authority uses interest rate swap agreements to protect against the potential of rising interest rates. The agreements are reported at fair value on the Statement of Net Position; however, changes in fair value are deferred until the termination or expiration of the instruments. The accumulated decrease in the fair value of the interest rate swap agreements is reported as a deferred outflows 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. 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 $7,045,596 at December 31, 2018, and amortization expense, which is reported as part of interest expense, was $389,682 for the year then ended.

In 2017, the Authority issued 2017 B series bonds under the Single Family Fund, a portion of 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 $366,642 to the counterparty. The Authority capitalized amounts paid in connection with the swap termination fee and is amortizing the balance ratably in proportion to the amount of the 2017 B series redeemed during the year. During 2018, a new hedging relationship was established and the unamortized balance of the termination fees were expensed.

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 position subject to externally imposed stipulations as to use.
- Unrestricted - net position 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.

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 expenses are subject to audit and acceptance by the granting agency and, because of such audits, 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 Between 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.

Income Taxes

As an instrumentality of the state, the income of the Authority is exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law.

Note 3: Deposits and Investments

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-Thru Fund	2018 Total
Current						
Cash and cash equivalents						
Unrestricted	$ 58,131,683	$ 6,020,892	$ 23,667,450	$ -	$ -	$ 87,820,025
Restricted	-	111,665,198	30,282,664	18,509,485	60,641	160,517,988
Total current cash and cash equivalents	58,131,683	117,686,090	53,950,114	18,509,485	60,641	248,338,013
Noncurrent Assets						
Investments						
Unrestricted	43,200,508	-	83,576,638	-	-	126,777,146
Restricted	-	-	12,531,679	5,842,159	-	18,373,838
Investments held against bonds	-	-	282,713,984	115,939,419	77,076,105	475,729,508
Total noncurrent investments	43,200,508	-	378,822,301	121,781,578	77,076,105	620,880,492
Total cash, cash equivalents, and investments	$ 101,332,191	$ 117,686,090	$ 432,772,415	$ 140,291,063	$ 77,136,746	$ 869,218,505

Cash, cash equivalents and investments held by the Authority as of December 31, 2018 were as follows:

	Fair Value	Cost
Cash	$ 121,904,175	$ 121,904,175
Money market mutual funds	119,937,743	119,937,743
Guaranteed investment contract	6,496,095	6,496,095
Federal agency obligations	143,452,873	147,102,191
Federal agency obligations held against bonds	475,729,508	467,981,900
Municipal bonds	1,698,111	1,715,350
Total cash, cash equivalents and investments	$ 869,218,505	$ 865,137,454

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, 2018, all investments held by the Authority were in compliance with the requirements of the Indentures.

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rate. The Authority's investment policy does not restrict investment maturities. As of December 31, 2018, the Authority had the following investments and maturities (in thousands):

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	$ 119,938	$ 119,938	$ -	$ -	$ -
Guaranteed investment contract	6,496	6,496	-	-	-
Federal agency obligations	143,453	157	24,560	61,613	57,123
Federal agency obligations held against bonds	475,730	-	-	4,070	471,660
Municipal bonds	1,698	-	15	-	1,683
	$ 747,315	$ 126,591	$ 24,575	$ 65,683	$ 530,466

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, 2018, 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, 2018, all of the Authority's cash was deposited in approved financial institutions.

Credit Risk Disclosure

The following table provides information on the credit ratings associated with the Authority's investments in debt securities:

	S&P	Fitch	Moody's	Fair Value
Money market mutual funds	AAAm	AAAmmf	Aaa-mf	$ 119,937,743
Guaranteed investment contract	Not rated	Not rated	Not rated	6,496,095
Federal agency obligations	AA+	AAA	Aaa	143,452,873
Federal agency obligations held against bonds	AA+	AAA	Aaa	475,729,508
Municipal bonds	AAA	N/A	Aaa	1,698,111
				$ 747,314,330

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.

Investment	Fair Value
Ginnie Mae	61.09%
Blackrock Federal Fund Institutional Money Market	10.91%
Small Business Administration	10.59%
Fannie Mae	8.22%
Morgan Stanley	5.07%

Note 4: Accounts and Loans Receivable

Accounts and loans receivable at December 31, 2018, were as follows:

General Fund:	
Loans provided to sub-recipients of certain programs	$ 68,513
Next Home ownership mortgage down payment assistance loans	12,040,336
Accounts receivable	1,714,041
Mortgage loans	46,247
	13,869,137
Less: allowance for uncollectible loans	(12,118,299)
	1,750,838
Current	(1,704,591)
Noncurrent	$ 46,247
Program Fund:	
Reimbursements due from other governments	$ 7,973,898
Section 1602 tax credit exchange program loans	122,003,522
Tax credit assistance program loans	25,989,847
Rural rental housing loans	1,759,166
Home investment partnership program loans	16,226,103
Community development block grant loans	15,015,079
Development fund loans	51,447,518
Hardest hit fund loans	154,133,776
	394,548,909
Less: allowance for uncollectible loans	(279,106,866)
	115,442,043
Current	(25,001,713)
Noncurrent	$ 90,440,330

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 5: Bonds Payable

Bonds payables at December 31, 2018, consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2006 Series B-3		
Taxable PAC bonds (5.90%), due 2037	$ 50,000	$ 715
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	12,915
	22,955	21,135
2016 Series A-2		
Serial bonds (1.35% to 2.50%), due 2019 - 2025	23,565	19,220
PAC bonds (3.50%), due 2038	25,990	18,920
	49,555	38,140
2017 Series A-1		
Serial bonds (1.05% to 3.15%), due 2019 - 2028	8,510	7,130
Term bonds (2.60%), due 2026	7,355	7,355
Term bonds (3.60%), due 2032	7,755	7,755
Term bonds (3.85%), due 2035	6,380	4,425
	30,000	26,665
2017 Series A-2		
PAC bonds (4.00%), due 2039	14,070	12,465

Single Family Fund (Continued)	Original Amount	Balance
2017 Series B-1		
Serial bonds (1.10% to 2.75%), due 2019 - 2028	$ 15,210	$ 14,525
Term bonds (3.25%), due 2032	6,790	6,485
	22,000	21,010
2017 Series B-2		
PAC bonds (4.00%), due 2038	15,740	14,970
2017 Series B-3		
Term bonds (variable), due 2047	17,000	17,000
Term bonds (variable), due 2047	6,000	6,000
	23,000	23,000
2017 Series C-1		
Serial bonds (2.35% to 2.95%), due 2024 - 2028	7,355	7,355
Term bonds (3.25%), due 2032	6,940	6,230
	14,295	13,585
2017 Series C-2		
Serial bonds (1.80% to 2.50%), due 2019 - 2024	7,465	7,185
PAC bonds (4.00%), due 2037	12,530	12,005
	19,995	19,190
2017 Series C-3		
Term bonds (variable), due 2047	20,705	20,705
2018 Series A		
Serial bonds (1.50% to 3.20%), due 2019 - 2029	14,480	14,480
Term bonds (3.50%), due 2033	7,530	7,530
Term bonds (3.80%), due 2038	11,495	11,495
Term bonds (3.90%), due 2043	14,625	14,625
PAC bonds (4.00%), due 2048	20,590	20,590
	68,720	68,720
Total Single Family Fund	$ 351,035	$ 280,300

Home First Fund	Original Amount	Balance
2009 Series A-3		
Term bonds (2.32%), due 2041	$ 36,000	$ 15,630
2009 Series A-4		
Term bonds (2.49%), due 2041	78,000	41,700
2009 Series A-5		
Term bonds (2.73%), due 2041	39,000	21,910
2010 Series A		
Serial bonds (3.15% to 3.55%), due 2019 - 2021	12,225	2,025
Term bonds (4.00%), due 2025	6,035	3,145
PAC bonds (4.50%), due 2028	5,740	800
	24,000	5,970
2011 Series A		
Serial bonds (3.20% to 3.625%), due 2019 - 2021	9,070	1,305
Term bonds (4.45%), due 2027	7,430	3,120
PAC bonds (4.50%), due 2028	7,500	1,175
	24,000	5,600
2011 Series B		
Serial bonds (2.75% to 4.00%), due 2019 - 2021	8,825	1,910
Term bonds (4.00%), due 2027	7,675	3,315
PAC bonds (4.00%), due 2028	7,500	1,090
	24,000	6,315
2011 Series C		
Serial bonds (4.50% to 5.00%), due 2019 - 2022	26,325	6,280
Term bonds (4.10%), due 2027	7,905	5,165
PAC bonds (4.50%), due 2027	12,680	3,035
	46,910	14,480
Total Home First Fund	$ 271,910	$ 111,605

MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1		
Term bonds (3.029%), due 2038	$ 73,532	$ 17,136
2013 Series 1		
Taxable term bonds (3.027%), due 2041	62,674	25,722
2013 Series 2		
Taxable term bonds (4.038%), due 2036	51,839	20,678
2014 Series 1		
Taxable term bonds (4.050%), due 2038	28,667	10,659
Total MBS Pass-Thru Fund	$ 216,712	$ 74,195
Total Bonds Payable	$ 839,657	$ 466,100

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

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

The 2017 Series B-3 bond and 2017 Series C-3 bond mature on July 1, 2047, and the interest rate is the E-Pro Daily rate (1.95% at December 31, 2018).

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2018 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	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 6,570	$ 8,210	$ 4,395	$ 3,229	$ -	$ 2,564	$ 10,965	$ 14,003
2020	7,475	8,226	4,520	3,087	-	2,564	11,995	13,877
2021	7,860	8,097	4,445	2,930	-	2,564	12,305	13,591
2022	8,235	7,942	4,575	2,774	-	2,564	12,810	13,280
2023	8,645	7,776	3,065	2,616	-	2,564	11,710	12,956
2024 - 2028	48,280	36,480	22,675	10,712	-	12,822	70,955	60,014
2029 - 2033	50,090	29,122	24,550	7,166	-	12,822	74,640	49,110
2034 - 2038	67,955	18,399	27,200	3,890	48,473	10,362	143,628	32,651
2039 - 2043	35,890	9,087	16,180	699	25,722	2,271	77,792	12,057
2044 - 2048	39,300	3,730	-	-	-	-	39,300	3,730
	280,300	137,069	111,605	37,103	74,195	51,097	466,100	225,269
Original issue premium	5,031	-	559	-	1,899	-	7,489	-
	$ 285,331	$ 137,069	$ 112,164	$ 37,103	$ 76,094	$ 51,097	$ 473,589	$ 225,269

The summary of bonds payable as of December 31, 2018 (dollars in thousands) was as follows:

Interest Rate Ranges	Maturity Range	Payment Range of Principal	Total
1.10 - 5.90%	2019-2048	$6,590 - $46,111	$ 466,100

Changes in Obligations

The following are changes in noncurrent liabilities of the Authority for the year ended December 31, 2018 (dollars in thousands):

	January 1, 2018	Additions	Reductions	December 31, 2018	Due Within One Year	Due Thereafter
Bonds payable	$ 474,672,539	$ 68,720,000	$ 77,292,071	$ 466,100,468	$ 10,965,000	$ 455,135,468
Premium	7,542,745	1,279,463	1,333,607	7,488,601	-	7,488,601
Discount	(2,253)	-	(2,253)	-	-	-
Note payable	1,836,555	-	71,506	1,765,049	-	1,765,049
Net pension liability	4,314,313	-	974,678	3,339,635	-	3,339,635
Capital lease liability	-	817,099	370,177	446,922	87,021	359,901
Total long-term obligations	$ 488,363,899	$ 70,816,562	$ 80,039,786	$ 479,140,675	$ 11,052,021	$ 468,088,654

Due to the nature of the net pension liability, which cannot be classified into the amounts due within one year, is included in due thereafter, and as such the related balance is reflected as a long-term obligation above.

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 $77,292,071 of bonds in 2018 from mortgage loan payments and prepayments. The bond redemptions resulted in write-offs of unamortized discount related to the redeemed bonds.

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 of the Authority, nor are they payable in any manner from revenues raised by the Authority.

The Authority has issued debt obligations on behalf of 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, 2018, the Authority had outstanding conduit debt of $161,278,992.

Note 6: Interest Rate Swap Agreements - Hedging Derivative Instruments

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. During 2018, that swap was terminated on the July 1, 2018 on the option date by providing its 30-day prior written notice.

The Authority entered into a new swap arrangement with Bank of New York Mellon. Again, the objective of the new swap agreement(s) is to create, with respect to the 2017 Series B-3 Bonds in an amount totaling $17,250,000, and the 2017 Series C-3 Bonds in an amount totaling $15,525,000 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 2.420% for 2017 Series B-3 and 2.495% for 2017 Series C-3. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the 3 Month LIBOR Swap Index.

Objective of the Swap: The Authority entered the pay-fixed, receive-variable interest rate swap agreements as a strategy to maintain acceptable levels of exposure to the risk of future changes in the interest rate related to the existing variable rate debt. The primary intention of the Swap Agreements is to effectively convert the Authority's variable interest rates on its long-term debt to synthetic fixed rates.

Terms, Fair Value and Credit Risk: The terms, including, the fair value and credit rating of the outstanding swaps as of December 31, 2018, 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
2017 Series B-3	$ 17,250,000	1/1/2018	2.420%	70% 3 M LIBOR	$ 115,548	7/1/2047	AA-/Aa2/AA
2017 Series C-3	15,525,000	7/1/2018	2.495%	70% 3 M LIBOR	(124,761)	7/1/2047	AA-/Aa2/AA
				Total	$ (9,213)		

The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions of the associated bonds.

Fair Value: The fair values of the swap agreements are based upon a third party's discounted cash flow methodology pursuant to the guidance set forth in GASB 72, *Fair Value Measurement and Application*. These discounted cash flows consider the net present value of the future scheduled payments from each leg of the swap. For the floating leg of the swap, future coupon rates are estimated based on forward rates derived from the relevant interest rate swap yield curve date (e.g., LIBOR, SIFMA, etc.) as of the valuation date. The present value discounted factors applied to each future scheduled payment is determined by the LIBOR, or Overnight Index Swap, curve data using the zero coupon method. A credit valuation adjustment is applied, which quantifies the nonperformance risk of both reporting entity as well as the counterparty.

The fair values of the swap agreements are classified as a noncurrent liability on the balance sheet of $9,213 as of December 31, 2018. As the swap agreements are effective hedging instruments, the offsetting balance is reflected as a deferred outflow of resources on the Authority's balance sheet at December 31, 2018 of $9,213.

Credit Risk: The fair value of each of the swap agreements represents the Authority's credit exposure to the counterparties as of December 31, 2018. Should the counterparties to these transactions fail to perform according to the terms of the swap agreements, the Authority has a maximum possible loss equivalent to the fair value at that date. As of December 31, 2018, 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. In the event that the credit ratings fall below the agreed upon threshold, the fair value of the swaps is to be fully collateralized with eligible securities (as defined in the Master Agreement) to be held by a third-party custodian on behalf of the Authority.

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.

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 terminated the swap transaction with Royal Bank of Canada on July 1, 2018. On January 1, 2018, the Authority entered into an interest rate swap agreement with Bank of New York Mellon (Counterparty) to cover the 2017 Series B-3 bonds and on July 1, 2018 to cover the 2017 C-3 Series bonds. The Authority may starting July 1, 2024 and ending on January 1, 2047 and semi-annually thereafter terminate the swap transaction, in whole or in part, by providing at least 30-days prior written notice to the Counterparty. No payments shall be due from any party in connection with such optional termination except for accrued amounts that would otherwise be due on the optional termination.

Swap Payments and Associated Debt: As of December 31, 2018, 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:

	Principal	Interest	Net Swap Payments	Total
2019	$ -	$ 639,113	$ 237,374	$ 876,487
2020	-	639,113	237,374	876,487
2021	-	639,113	237,374	876,487
2022	-	639,113	237,374	876,487
2023	-	639,113	237,374	876,487
2024 - 2028	-	3,195,563	1,186,870	4,382,433
2029 - 2033	-	3,195,563	1,186,870	4,382,433
2034 - 2038	3,220,000	3,133,260	1,162,469	7,515,729
2039 - 2043	15,525,000	1,978,909	728,709	18,232,618
2044 - 2047	14,030,000	554,970	202,994	14,787,964
Total	$ 32,775,000	$ 15,253,830	$ 5,654,782	$ 53,683,612

Note 7: 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, 2018.

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.

Guaranteed Investment Contract: Valued at the contract rate so not included in the fair value table.

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

Municipal Bonds**:** Valued using pricing models maximizing the use of observable inputs for similar securities.

Interest Rate Swaps**:** 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.

For those assets and liabilities measured at fair value, management determines the fair value measurement policies. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Authority's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of these assets and liabilities could result in a different fair value measurement at the reporting date.

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 at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
Money market mutual funds	$ 119,937,743	$ 119,937,743	$ -	$ -
Federal agency obligations	619,182,381	-	619,182,381	-
Municipal bonds	1,698,111	-	1,698,111	-
Total investments measured at fair value	740,818,235	$ 119,937,743	$ 620,880,492	$ -
Guaranteed Investment Contract	6,496,095			
Total investments	$ 747,314,330			
Investment Derivative Instruments				
Interest rate swaps	$ 9,213	$ -	$ -	$ 9,213

Note 8: Commitments

Operating Lease

The Authority leases its office space under a non-cancellable operating lease agreement through 2031. Lease (rent) expense for 2018 was $349,360. The table below shows the required payments for rent and anticipated operating expenses for the remaining term of the lease.

2019	$ 640,875
2020	651,067
2021	661,322
2022	671,653
2023	682,042
2024 - 2028	3,568,677
2029 - 2031	2,211,499
Total future minimum payments	$ 9,087,135

Capital Lease

During 2018, the Authority's entered into a capital lease for furniture and fixtures. At December 31, 2018, the gross amount of furniture and fixtures and related accumulated amortization recorded under these capital leases was as follows:

Furniture and fixtures	$	817,099
Less accumulated depreciation		(68,092)
	$	749,007

Future minimum capital lease payments for the Authority's activities as of December 31, 2018 are:

2019	$	112,247
2020		112,247
2021		112,247
2022		112,247
2023		65,477
Total minimum lease payments		514,465
Less amount representing interest (6.191%)		(67,543)
Present value of the net minimum lease payment		446,922
Less current capital lease obligations		(87,021)
Obligation under capital lease - long term	$	359,901

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.

Note 9: 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. The fund provides supplemental retirement benefits to Public Employees' Defined Benefit Account (PERF DB) members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice Plan) members.

New employees hired by the State or a participating political subdivision have a one-time election to join either the Public Employees' Hybrid Plan (PERF Hybrid Plan) or the My Choice Plan, which is covered in the Defined Contributions section below. A new hire that is an existing member of PERF Hybrid Plan and was not given the option for My Choice is given the option to elect My Choice Plan or remain in PERF Hybrid Plan. The PERF Hybrid Plan consists of two components: PERF DB, the employer-funded monthly defined-benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

Effective January 1, 2018, funds previously known as annuity savings accounts (which were reported within defined-benefit funds) were re-categorized as defined contribution funds based on Internal Revenue Private Letter Rulings PLR-193-2016 and PLR-110249-18. PERF Defined Contribution member balances (previously known as annuity savings accounts) reported within PERF DB were transferred to the appropriate defined-contribution fund as of January 1, 2018.

Retirement Benefits - Defined Benefit Pension

A member who has reached age 65 and has at least ten years of creditable service, or eight years for certain elected officials, 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, or only four quarters for an elected official. 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. 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.

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, 2018; however, there was a one-time check (13th check) on October 1, which is assumed to continue annually until 2021.

The PERF 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, 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 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.

Retirement Benefits - Defined Contribution Pension

The My Choice Plan is a multi-employer defined-contribution fund that serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice) members. New employees hired have a one-time election to join either the PERF Hybrid Plan or My Choice Plan, which both include defined-contribution funds.

The Public Employees' Hybrid Members Defined Contribution Account (PERF Hybrid DC) is the defined-contribution component of the Public Employees' Hybrid Plan. The Public Employees' Defined Benefit Account is the other component of the Public Employees' Hybrid Plan. Member contributions are set by statute at three percent of compensation, and the employer may choose to make these contributions on behalf of the member. Members are 100 percent vested in their account balance, which includes all contributions and earnings.

My Choice: Retirement Savings Plan for Public Employees (My Choice) is for members who are full-time employees of the State of Indiana or a participating political subdivision that elected to become members of My Choice. Member contributions are set by statute at three percent of compensation, plus these members may receive additional employer contributions in lieu of the Public Employees' Defined Benefit Account. The Authority does not currently offer My Choice to any of its employees. Members are 100 percent vested in all member contributions and are vested in employer contributions, which includes all employer contributions and earnings as follows:

Years of Service				
1	2	3	4	5+
20%	40%	60%	80%	100%

Investments are self-directed, members may make changes daily, and investments are reported at fair value. Market risk is assumed by the member, and the member may choose among the following eight investment options with varying degrees of risk and return potential: Stable Value Fund, Large Cap Equity Index Fund, Small/Mid Cap Equity Fund, International Equity Fund, Fixed Income Fund, Inflation-Linked Fixed Income Fund, Target Date Funds, and Money Market Fund.

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, 2018
Liability valuation date and method:	June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2017 to June 30, 2018.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Period of four years ended June 30, 2014
Investment rate of return:	6.75%
Cost of living adjustment:	Varies per year as follows: 2019 through 2020 - 13th check, 2020 through 2032 - 0.40%, 2033 through 2037 - 0.50%, and 2038 and on - 0.60%
Projected salary increases:	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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22.0%	4.4%
Private equity	14.0%	5.4%
Fixed income - ex inflation linked	20.0%	2.2%
Fixed income - inflation linked	7.0%	0.8%
Commodities	8.0%	2.3%
Real estate	7.0%	6.5%
Absolute return	10.0%	2.7%
Risk parity	12.0%	5.2%
	100%	

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 was projected to be available to make all projected future benefit payments of current Plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for the Plan.

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

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$ 5,257,123	$ 3,339,635	$ 1,740,660

Investment Valuation and Benefit Payment Policies

The pooled and nonpooled 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 from inactive, nonvested members' annuity savings accounts 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 My Choice 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, 2018, all participating employers were required to contribute 11.2% of covered payroll for members employed by the State. For the My Choice Plan, all participating employers were required to contribute a supplemental 7.1%.

In October 2018, the funding policy was restated to incorporate changes up to that point, and additional edits were made to clarify current practice. In addition, 2018 SEA 373 introduced a new funding mechanism for postretirement benefit increases and restated the actuarially determined contribution. As a result, the funding policy was updated to be in compliance with the new statute.

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

At December 31, 2018, the Authority reported a liability of $3,339,635 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, 2018 measurement date was 0.0009831.

For the year ended December 31, 2018, the Authority recognized pension expense of $648,318, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $124,684. At December 31, 2018, 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	$ 43,676	$ 228
Net difference between projected and actual earnings on pension plan investments	98,907	-
Changes in assumptions	7,957	536,225
Changes in proportion and differences between the Authority's contributions and proportionate share contributions	74,032	169,566
Authority's contributions subsequent to the measurement date	294,942	-
Total changes	519,514	706,019
Netting required under GASB Statement No. 68	-	-
Total	$ 519,514	$ 706,019

The Authority reported $294,942 as deferred outflows of resources that will be recognized as a reduction of the net pension liability for the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

2019	$ (51,590)
2020	(137,462)
2021	(233,249)
2022	(59,146)
Total future minimum payments	$ (481,447)

Note 10: 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 11: Subsequent Events

On January 24, 2019, the Authority issued $48,780,000 of Indiana Housing and Community Development Authority Single Family Mortgage Revenue Bonds, 2019 Series A (2019 Series A Bonds). The 2019 Series A Bonds include serial bonds maturing through 2030, and term bonds, which mature in 2034, 2039, 2042 and 2048. The 2019 Series A Bonds bear interest at rates ranging from 1.70% to 4.25%.

REQUIRED SUPPLEMENTARY INFORMATION

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Indiana Public Employee's Retirement Fund (PERF)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.09831%	0.09670%	0.10992%	0.09270%	0.09168%	0.06410%
Authority's proportionate share of the net pension liability	$ 3,339,635	$ 4,314,313	$ 4,988,658	$ 3,775,580	$ 2,409,291	$ 2,195,476
Authority's covered payroll	$ 5,016,583	$ 4,797,552	$ 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 payroll	66.6%	89.9%	94.7%	85.0%	53.8%	54.9%
Plan fiduciary net position as a percentage of the total pension liability (a)	78.9%	72.7%	71.2%	73.3%	81.1%	74.3%

(a) 2013 - 2017 were adjusted to reflect defined benefit activity only due to split of the defined benefit/contribution plan effective January 1, 2018.

* The amounts presented for each fiscal year were determined as of June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: No changes.

Changes of assumption: The INPRS Board approved the following changes in assumptions, effective June 30, 2018, for the PERF Plan:

> The COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA occurring beginning on January 1, 2020, we now assume that the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

Changes in actuarial methods: No changes.

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)
Required Supplementary Information
Schedule of the Authority's Contributions
Indiana Public Employee's Retirement Fund (PERF)
Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013
Contractually determined contribution	$ 561,858	$ 537,327	$ 576,232	$ 497,297	$ 501,337	$ 387,737
Contributions in relation to the contractually required contribution	561,858	537,327	576,232	497,297	501,337	387,737
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 5,016,583	$ 4,797,552	$ 5,268,120	$ 4,440,142	$ 4,476,208	$ 3,997,291
Contributions as a percentage of covered payroll	11.2%	11.2%	10.9%	11.2%	11.2%	9.7%

* The amounts presented for each fiscal year were determined as of December 31.

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

Notes to Schedule:

Benefit changes: No changes.

Changes of assumption: The INPRS Board approved the following changes in assumptions, effective June 30, 2018, for the PERF Plan:

The COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA occurring beginning on January 1, 2020, we now assume that the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning on January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

Changes in actuarial methods: No changes.

SUPPLEMENTARY INFORMATION

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Other Information
Combining Schedule of Net Position
December 31, 2018

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2018 Total
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents						
Unrestricted	$ 58,131,683	$ 6,020,892	$ 23,667,450	$ -	$ -	$ 87,820,025
Restricted	-	111,665,198	30,282,664	18,509,485	60,641	160,517,988
Accrued interest receivable						
Investments	107,070	-	649,842	25,433	-	782,345
Investments held against bonds	-	-	912,834	321,725	213,695	1,448,254
Accounts and loans receivable, net	1,704,591	25,001,713	-	-	-	26,706,304
Other assets	-	1,026,257	-	-	-	1,026,257
Total current assets	59,943,344	143,714,060	55,512,790	18,856,643	274,336	278,301,173
Noncurrent Assets						
Investments						
Unrestricted	43,200,508	-	83,576,638	-	-	126,777,146
Restricted	-	-	12,531,679	5,842,159	-	18,373,838
Investments held against bonds	-	-	282,713,984	115,939,419	77,076,105	475,729,508
Accounts and loans receivable, net	46,247	90,440,330	-	-	-	90,486,577
Capital assets, at cost, less accumulated depreciation	2,366,584	95,793	-	-	-	2,462,377
Interfund accounts	5,283,899	(3,910,012)	(1,373,887)	-	-	-
Total noncurrent assets	50,897,238	86,626,111	377,448,414	121,781,578	77,076,105	713,829,446
Total assets	110,840,582	230,340,171	432,961,204	140,638,221	77,350,441	992,130,619
Deferred Outflows of Resources						
Deferred pension costs	519,514	-	-	-	-	519,514
Accumulated decrease in fair value of derivative	-	-	9,213	-	-	9,213
Deferred refunding costs	-	-	-	-	2,068,404	2,068,404
Total deferred outflows of resources	519,514	-	9,213	-	2,068,404	2,597,131
Total assets and deferred outflows of resources	$ 111,360,096	$ 230,340,171	$ 432,970,417	$ 140,638,221	$ 79,418,845	$ 994,727,750
Liabilities, Deferred Inflows of Resources and Fund Balances						
Current Liabilities						
Bonds payable	$ -	$ -	$ 6,570,000	$ 4,395,000	$ -	$ 10,965,000
Accrued interest payable	-	-	3,885,085	271,782	213,695	4,370,562
Unearned revenue	-	58,709,833	-	-	-	58,709,833
Capital lease liability	87,021	-	-	-	-	87,021
Accounts payable and other liabilities	2,368,551	6,420,384	44,348	-	-	8,833,283
Total current liabilities	2,455,572	65,130,217	10,499,433	4,666,782	213,695	82,965,699
Noncurrent Liabilities						
Bonds payable	-	-	273,730,000	107,210,000	74,195,468	455,135,468
Original issue premium	-	-	5,030,556	559,093	1,898,952	7,488,601
Bonds payable, net	-	-	278,760,556	107,769,093	76,094,420	462,624,069
Notes payable	-	1,765,049	-	-	-	1,765,049
Derivative instrument - interest rate swap agreements	-	-	9,213	-	-	9,213
Pension liability	3,339,635	-	-	-	-	3,339,635
Capital lease liability	359,901	-	-	-	-	359,901
Total noncurrent liabilities	3,699,536	1,765,049	278,769,769	107,769,093	76,094,420	468,097,867
Total liabilities	6,155,108	66,895,266	289,269,202	112,435,875	76,308,115	551,063,566
Deferred Inflows of Resources						
Deferred pension revenue	706,019	-	-	-	-	706,019
Net Position						
Net investment in capital assets	1,919,662	95,793	-	-	-	2,015,455
Restricted	-	161,238,232	37,181,172	28,202,346	3,110,730	229,732,480
Unrestricted	102,579,307	2,110,880	106,520,043	-	-	211,210,230
Total net position	104,498,969	163,444,905	143,701,215	28,202,346	3,110,730	442,958,165
Total liabilities, deferred inflows of resources and net position	$ 111,360,096	$ 230,340,171	$ 432,970,417	$ 140,638,221	$ 79,418,845	$ 994,727,750

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Other Information
Combining Schedule of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2018 Total
Revenues						
Interest income						
Investments	2,983,390	$ 31,835	$ 4,917,500	$ 635,928	$ -	$ 8,568,653
Investments held against bonds	-	-	9,032,243	4,677,200	3,517,170	17,226,613
Loans	-	914,969	-	-	-	914,969
Fee income	5,004,044	-	-	-	-	5,004,044
Program income	-	404,770,624	-	-	-	404,770,624
Gain on sale of Next Home investments	8,205,645	-	1,523	-	-	8,207,168
Net decrease in fair value of investments	(444,813)	-	(4,141,387)	(2,857,013)	(2,848,530)	(10,291,743)
Other income	317,853	-	-	-	-	317,853
Total revenues	16,066,119	405,717,428	9,809,879	2,456,115	668,640	434,718,181
Expenses						
Investment expense (down payment assistance)	5,091,652	-	4,343,519	-	-	9,435,171
Loss on sale of investments	384,727	-	1,426,693	223,816	-	2,035,236
Interest expense	15,441	18,690	7,392,015	3,662,837	3,182,606	14,271,589
Issuance costs	-	-	820,251	-	-	820,251
Program expenses	232,060	382,920,504	-	-	-	383,152,564
General and administrative expenses	6,895,777	13,077,392	804,048	362,357	10,698	21,150,272
Total expenses	12,619,657	396,016,586	14,786,526	4,249,010	3,193,304	430,865,083
Operating Income (Loss)	3,446,462	9,700,842	(4,976,647)	(1,792,895)	(2,524,664)	3,853,098
Transfers						
Interfund transfers	3,986,170	13,830	(3,664,003)	-	(335,997)	-
Increase (Decrease) in Net Position	7,432,632	9,714,672	(8,640,650)	(1,792,895)	(2,860,661)	3,853,098
Net Position, Beginning of Year	97,066,337	153,730,233	152,341,865	29,995,241	5,971,391	439,105,067
Net Position, End of Year	$ 104,498,969	$ 163,444,905	$ 143,701,215	$ 28,202,346	$ 3,110,730	$ 442,958,165

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Other Information
Combining Schedule of Cash Flows
Year Ended December 31, 2018

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2018 Total
Cash Flows From Operating Activities						
Receipts for services	$ 12,933,974	$ -	$ -	$ -	$ -	$ 12,933,974
Receipts for program revenue	-	378,075,566	-	-	-	378,075,566
Principal received on loans receivable	31,337	-	-	-	-	31,337
Interest received on investments	3,028,925	31,835	4,783,498	629,284	-	8,473,542
Interest received on investments held against bonds	-	-	8,323,990	4,165,400	3,181,520	15,670,910
Interest received on loans	-	914,969	-	-	-	914,969
Payments for program expenses	(232,060)	(392,657,085)	-	-	-	(392,889,145)
Interest paid on bonds and bank loans	(15,441)	(18,690)	(6,582,416)	(3,717,482)	(2,835,274)	(13,169,303)
Debt issuance costs incurred	-	-	(820,251)	-	-	(820,251)
Investment expense	-	-	(4,343,519)	-	-	(4,343,519)
Payments for suppliers and employees	(11,629,939)	-	(891,849)	(362,357)	(10,698)	(12,894,843)
Interfund activity	(1,428,700)	392,470	1,036,230	-	-	-
Net cash provided by (used in) operating activities	2,688,096	(13,260,935)	1,505,683	714,845	335,548	(8,016,763)
Cash Flows From Non-Capital and Related Financing Activities						
Proceeds from bond issues	-	-	69,999,463	-	-	69,999,463
Repayments and redemption of bonds and bank loans	-	(71,506)	(44,195,001)	(18,350,001)	(14,747,071)	(77,363,579)
Transfers	3,986,170	13,830	(3,664,003)	-	(335,997)	-
Net cash provided by (used in) non-capital and related financing activities	3,986,170	(57,676)	22,140,459	(18,350,001)	(15,083,068)	(7,364,116)
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(409,799)	-	-	-	-	(409,799)
Payments on capital lease	(370,177)	-	-	-	-	(370,177)
Net cash used in capital and related financing activities	(779,976)	-	-	-	-	(779,976)
Cash Flows From Investing Activities						
Proceeds from sale and maturities of investments	9,119,071	-	29,956,253	2,612,312	-	41,687,636
Principal received on investments held against bonds	-	-	22,124,362	17,489,169	14,747,520	54,361,051
Purchases of investments held against bonds	-	-	(116,158,883)	-	-	(116,158,883)
Purchase of investments	(6,579,796)	-	(15,905,366)	(5,596,388)	-	(28,081,550)
Net cash provided by (used in) investing activities	2,539,275	-	(79,983,634)	14,505,093	14,747,520	(48,191,746)
Net Increase (Decrease) in Cash and Cash Equivalents	8,433,565	(13,318,611)	(56,337,492)	(3,130,063)	-	(64,352,601)
Cash and Cash Equivalents, January 1	49,698,118	131,004,701	110,287,606	21,639,548	60,641	312,690,614
Cash and Cash Equivalents, December 31	$ 58,131,683	$ 117,686,090	$ 53,950,114	$ 18,509,485	$ 60,641	$ 248,338,013
Cash and Cash Equivalents						
Cash	$ 4,124,494	$ 117,686,090	$ 56,250	$ -	$ 37,341	$ 121,904,175
Money market investments	54,007,189	-	47,397,769	18,509,485	23,300	119,937,743
Guaranteed investment contracts	-	-	6,496,095	-	-	6,496,095
Total cash and cash equivalents	$ 58,131,683	$ 117,686,090	$ 53,950,114	$ 18,509,485	$ 60,641	$ 248,338,013

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Other Information
Combining Schedule of Cash Flows (Continued)
Year Ended December 31, 2018

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2018 Total
Noncash Transactions from Capital and Related Financing Activities						
Issuance of capital lease obligation	$ 817,099	$ -	$ -	$ -	$ -	$ 817,099
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:						
Operating income (loss)	$ 3,446,462	$ 9,700,842	$ (4,976,647)	$ (1,792,895)	$ (2,524,664)	$ 3,853,098
Adjustment to reconcile operating income to net cash provided by operating activities:						
Net decrease in fair value of investments	444,813	-	4,141,387	2,857,013	2,848,530	10,291,743
Loss on sale of investments	384,727	-	1,426,693	223,816	-	2,035,236
Depreciation	667,971	38,070	-	-	-	706,041
Amortization of bond premium/discount	-	-	(404,582)	(548,771)	(378,000)	(1,331,353)
Changes in operating assets and liabilities:						
Accounts and loan receivable	(562,231)	(20,608,478)	-	-	-	(21,170,709)
Accrued interest receivable	45,535	-	(439,196)	30,327	42,350	(320,984)
Other assets	(1,428,700)	(80,685)	1,036,230	-	-	(473,155)
Deferred pension costs	682,749	-	-	-	-	682,749
Deferred refunding costs	-	-	-	-	389,682	389,682
Unearned revenue	-	(5,613,425)	-	-	-	(5,613,425)
Accounts payable and other liabilities	(370,404)	3,302,741	(87,801)	-	-	2,844,536
Accrued interest payable	-	-	809,599	(54,645)	(42,350)	712,604
Net pension liability	(974,678)	-	-	-	-	(974,678)
Deferred pension revenue	351,852	-	-	-	-	351,852
Total adjustments	(758,366)	(22,961,777)	6,482,330	2,507,740	2,860,212	(11,869,861)
Net cash provided by (used in) operating activities	$ 2,688,096	$ (13,260,935)	$ 1,505,683	$ 714,845	$ 335,548	$ (8,016,763)