



A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2017

Indiana Housing and Community Development Authority
A Component Unit of the State of Indiana
December 31, 2017

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Independent Auditor's Report

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statement 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. 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, 2017, 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 schedules of cash flows 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.

BKD, LLP

Indianapolis, Indiana
April 17, 2018, except for Note 11,
as to which the date is January 16, 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, 2017

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, 2017. 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.

Indiana Housing and Community Development Authority
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Management's Discussion and Analysis (Unaudited)
December 31, 2017

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, 2017

Financial Highlights

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

	2017	2016	Change	% Change
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents				
Unrestricted	\$ 67,923,256	\$ 91,969,881	\$ (24,046,625)	-26%
Restricted	244,767,358	153,085,845	91,681,513	60%
Accrued interest receivable				
Investments	685,711	597,927	87,784	15%
Investments held against bonds	1,223,904	1,323,626	(99,722)	-8%
Accounts and loan receivable, net	12,507,764	20,888,630	(8,380,866)	-40%
Other assets	553,102	1,195,289	(642,187)	-54%
Total current assets	<u>327,661,095</u>	<u>269,061,198</u>	<u>58,599,897</u>	<u>22%</u>
Noncurrent Assets				
Investments				
Unrestricted	149,158,465	126,979,070	22,179,395	17%
Restricted	12,078,654	9,908,549	2,170,105	22%
Investments held against bonds	423,778,606	429,857,939	(6,079,333)	-1%
Accounts and loans receivable, net	83,514,408	66,825,542	16,688,866	25%
Capital assets, at cost, less accumulated depreciation	1,941,520	2,289,180	(347,660)	-15%
Total noncurrent assets	<u>670,471,653</u>	<u>635,860,280</u>	<u>34,611,373</u>	<u>5%</u>
Total assets	<u>998,132,748</u>	<u>904,921,478</u>	<u>93,211,270</u>	<u>10%</u>
Deferred Outflows of Resources				
Deferred pension costs	1,202,263	2,416,287	(1,214,024)	-50%
Accumulated decrease in fair value of derivative	845,900	2,029,285	(1,183,385)	-58%
Deferred refunding costs	2,824,727	2,966,491	(141,764)	-5%
Total deferred outflows of resources	<u>4,872,890</u>	<u>7,412,063</u>	<u>(2,539,173)</u>	<u>-34%</u>
Total assets and deferred outflows of resources	<u>\$ 1,003,005,638</u>	<u>\$ 912,333,541</u>	<u>\$ 90,672,097</u>	<u>10%</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Current Liabilities				
Bonds payable	\$ 10,375,000	\$ 9,175,000	\$ 1,200,000	13%
Accrued interest payable	3,657,958	3,295,639	362,319	11%
Unearned revenue	64,323,258	48,012,214	16,311,044	34%
Accounts payable and other liabilities	5,988,747	5,250,252	738,495	14%
Total current liabilities	<u>84,344,963</u>	<u>65,733,105</u>	<u>18,611,858</u>	<u>28%</u>
Noncurrent Liabilities				
Bonds payable	464,297,539	399,973,238	64,324,301	16%
Original issue premium	7,542,745	6,044,003	1,498,742	25%
Original issue discount	(2,252)	(4,505)	2,253	-50%
Bonds payable, net	<u>471,838,032</u>	<u>406,012,736</u>	<u>65,825,296</u>	<u>16%</u>
Notes payable	1,836,555	1,910,400	(73,845)	-4%
Derivative instrument - interest rate swap agreements	1,212,541	2,029,285	(816,744)	-40%
Pension liability	4,314,313	4,988,658	(674,345)	-14%
Total noncurrent liabilities	<u>479,201,441</u>	<u>414,941,079</u>	<u>64,260,362</u>	<u>15%</u>
Total liabilities	<u>563,546,404</u>	<u>480,674,184</u>	<u>82,872,220</u>	<u>17%</u>
Deferred Inflows of Resources				
Deferred pension revenue	354,167	357,369	(3,202)	-1%
Net Position				
Net investment in capital assets	1,941,520	2,289,180	(347,660)	-15%
Restricted	224,563,618	210,165,961	14,397,657	7%
Unrestricted	212,599,929	218,846,847	(6,246,918)	-3%
Total net position	<u>439,105,067</u>	<u>431,301,988</u>	<u>7,803,079</u>	<u>2%</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,003,005,638</u>	<u>\$ 912,333,541</u>	<u>\$ 90,672,097</u>	<u>10%</u>

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Total assets and deferred outflows of resources increased by \$91 million or 10 percent. The primary reason for this increase was due to a net increase in cash and cash equivalents of \$67.6 million. There were also increases in the noncurrent investments of \$24.3 million and noncurrent, net accounts receivable of \$16.7 million, offset by a decrease in current net accounts receivable of \$8.4 million and noncurrent investments held against bonds of \$6.1 million. The series of new bonds issued provided increased lendable proceeds and cash restricted for bond redemptions early 2018.

The deferred outflows of resources decreased \$2.5 million due to the decrease in deferred pension costs of \$1.2 million and the reduction created by the adjustment in the fair value of the 2008 Series A-2 interest rate swap of \$1.2 million with the remainder in the amortization of the deferred refunding costs of \$0.1 million.

Total liabilities increased \$82.9 million. Current liabilities increased \$18.6 million primarily due to Hardest Hit Fund unearned, deferred revenues while noncurrent liabilities increased \$64.3 million due mostly to bonds payable.

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$439.1 million at December 31, 2017. This increased \$7.8 million between years.

Total net position at December 31, 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Assets and deferred outflows of resources	\$ 1,003.0	\$ 912.3
Liabilities and deferred inflows of resources	563.9	481.0
Net position	\$ 439.1	\$ 431.3

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Operating Analysis

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

	2017	2016	Change	% Change
Revenues				
Interest income				
Investments	\$ 5,062,031	\$ 4,587,184	\$ 474,847	10%
Investments held against bonds	16,590,039	17,779,517	(1,189,478)	-7%
Loans	1,018,257	460,615	557,642	100%
Fee income	5,334,026	5,076,691	257,335	5%
Program income	371,910,198	398,056,753	(26,146,555)	-7%
Gain on sale of Next Home investments	10,278,394	12,348,123	(2,069,729)	-17%
Net decrease in fair value of investments	(7,863,870)	(7,488,452)	(375,418)	5%
Other income	631,787	1,173,245	(541,458)	-46%
Total revenues	<u>402,960,862</u>	<u>431,993,676</u>	<u>(29,032,814)</u>	<u>-7%</u>
Expenses				
Investment expense (down payment assistance)	8,464,519	8,904,009	(439,490)	-5%
Loss on sale of investments	1,245,215	911,102	334,113	37%
Interest expense	14,100,556	15,732,991	(1,632,435)	-10%
Issuance costs	1,807,136	751,143	1,055,993	141%
Program expenses	350,072,296	374,410,231	(24,337,935)	-7%
General and administrative expenses	19,468,061	19,724,462	(256,401)	-1%
Total expenses	<u>395,157,783</u>	<u>420,433,938</u>	<u>(25,276,155)</u>	<u>-6%</u>
Change in Net Position	7,803,079	11,559,738	(3,756,659)	-32%
Net Position, Beginning of Year	<u>431,301,988</u>	<u>419,742,250</u>	<u>11,559,738</u>	<u>3%</u>
Net Position, End of Year	<u>\$ 439,105,067</u>	<u>\$ 431,301,988</u>	<u>\$ 7,803,079</u>	<u>2%</u>

In 2017, total operating revenues were \$403.0 million. This was comprised of federal and state program income of \$372.0 million, interest income of \$22.7 million, gains on the sale of Next Home mortgages and investments of \$10.3 million, a decrease in the fair value of investments of \$7.9 million, and \$6.0 million in fee and other income. This compares to \$432.0 million of total operating revenues in 2016. The overall decrease in revenue of \$29.0 million is mostly due to decreases in the federal program recognition/funding of \$26.1 million, primarily from the Low-Income Home Energy Assistance Program for \$16.2 million, Hardest Hit Fund for \$11.0 million, and Development Fund Tobacco Tax for \$ 3.2 million offset by an increase in the Home Investment Partnerships Program of \$4.9 million. There was also a decrease between years in the gain on the sale of investments, primarily Next Home investments of \$2.1 million.

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Total operating expenses in 2017 were \$395.2 million, which includes \$350.1 million of federal and state program expenses, \$14.1 million of interest expense on bonds, \$19.5 million of general and administrative expense, \$8.5 million in down payment assistance, \$1.8 million in issuance costs and \$1.2 million loss on the sale of investments.

This compares to \$420.4 million of total operating expenses in 2016. The overall decrease of \$25.3 million was primarily due to the decrease in program expense between the years of \$24.3 million. This correlates to the decrease in the program revenues. Program expense decreases consist primarily of the Low-Income Home Energy Assistance Program of \$17.0 million and Hardest Hit Fund of \$11.7 million offset by the increase for the Home Investment Partnerships Program of \$3.4 million. Interest expense decreased \$1.6 million between years which had an offset relating to issuance costs of an increase of \$1.1 million. Loss on sale of investments increased by \$0.3 million. General and administrative costs decreased \$0.3 million, which consisted primarily of the decrease between years for the pension costs recognized.

Total operating income for 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Operating revenues, gains and losses	\$ 403.0	\$ 432.0
Operating expenses	395.2	420.4
Operating income	\$ 7.8	\$ 11.6

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 \$7.9 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2017 was \$15.7 million resulting in a net decrease in the change in net position of \$3.4 million between years.

	2017	2016	Change	% Change
Change in net position	\$ 7,803,079	\$ 11,559,738	\$ (3,756,659)	-32%
Net decrease in fair value of investments	(7,863,870)	(7,488,452)	(375,418)	5%
Change in net position excluding GASB No. 31 adjustment	\$ 15,666,949	\$ 19,048,190	\$ (3,381,241)	-18%

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Interest income				
Investments	\$ 2,288,116	\$ 2,539,493	\$ (251,377)	-10%
Fee income	5,099,740	4,721,047	378,693	8%
Gain on sale of investments	10,274,316	12,349,837	(2,075,521)	-17%
Net decrease in fair value of investments	(245,011)	(35,832)	(209,179)	584%
Other income	631,787	1,173,245	(541,458)	-46%
Total revenues	<u>18,048,948</u>	<u>20,747,790</u>	<u>(2,698,842)</u>	<u>-13%</u>
Expenses				
Investment expense (down payment assistance)	6,549,799	8,336,073	(1,786,274)	-21%
Loss on sale of investments	416,917	361,303	55,614	15%
Program expenses	45,502	507,902	(462,400)	-91%
General and administrative expenses	6,328,374	6,404,013	(75,639)	-1%
Total expenses	<u>13,340,592</u>	<u>15,609,291</u>	<u>(2,268,699)</u>	<u>-15%</u>
Operating Income	4,708,356	5,138,499	(430,143)	-8%
Transfers				
Interfund transfers	141,799	4,212,017	(4,070,218)	-97%
Change in Net Position	4,850,155	9,350,516	(4,500,361)	-48%
Net Position, Beginning of Year	<u>92,216,182</u>	<u>82,865,666</u>	<u>9,350,516</u>	<u>11%</u>
Net Position, End of Year	<u>\$ 97,066,337</u>	<u>\$ 92,216,182</u>	<u>\$ 4,850,155</u>	<u>5%</u>

In 2017, total operating revenues for the General Fund were \$18.0 million. This was comprised of gains on the sale of investments, primarily Next Home mortgages of \$10.3 million, interest income of \$2.3 million, \$5.7 million in fees and other income, and a decrease in the fair value of investments of \$0.3 million. This compares to \$20.7 million of total operating revenues in 2016. The overall decrease in revenue of \$2.7 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 \$0.5 million consisting of multi-family bonds reservations, the decrease in interest income of \$0.3 million, and reduction in the fair value of investments of \$0.2 million, offset by the increase in income from real estate development application and monitoring fees of \$0.4 million.

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Total operating expenses for the General Fund in 2017 were \$13.3 million, which includes \$6.5 million in down payment assistance, \$6.3 million of general and administrative expenses, and \$0.4 million in loss on sale of investments. This compares to \$15.6 million of total operating expenses in 2016. Total operating expenses decreased by \$2.3 million, due to a decrease between years of \$1.8 million in down payment assistance volume. There was no need for program repayment and minimal disaster assistance netting to a reduction in that area of \$0.5 million between years.

There were \$0.1 million in interfund transfers into the General Fund in 2017 and \$4.2 million in 2016.

Total General Fund operating income for 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Operating revenues, gains and losses	\$ 18.0	\$ 20.7
Operating expenses	13.3	15.6
Operating income	4.7	5.1
Interfund transfers	0.1	4.2
Change in net position	\$ 4.8	\$ 9.3

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 \$0.3 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2017 was \$5.1 million resulting in a net decrease in the change in net position of \$4.3 million between years. As stated previously, the increase between years is attributable to the \$4.2 million interfund transfer for down payment assistance reimbursement to the General Fund from Single Family Fund in 2016, but not repeated in 2017.

	2017	2016	Change	% Change
Change in net position	\$ 4,850,155	\$ 9,350,516	\$ (4,500,361)	-48%
Net decrease in fair value of investments	(245,011)	(35,832)	(209,179)	584%
Change in net position without GASB No. 31 adjustment	\$ 5,095,166	\$ 9,386,348	\$ (4,291,182)	-46%

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Interest income				
Investments	\$ 3,429	\$ 663	\$ 2,766	417%
Loans	1,018,257	460,615	557,642	121%
Fee income	234,286	355,644	(121,358)	-34%
Program income	371,910,198	398,056,753	(26,146,555)	-7%
Total revenues	<u>373,166,170</u>	<u>398,873,675</u>	<u>(25,707,505)</u>	<u>-6%</u>
Expenses				
Interest expense	16,352	77,395	(61,043)	-79%
Program expenses	350,026,794	373,902,329	(23,875,535)	-6%
General and administrative expenses	12,162,602	11,939,744	222,858	2%
Total expenses	<u>362,205,748</u>	<u>385,919,468</u>	<u>(23,713,720)</u>	<u>-6%</u>
Operating Income	10,960,422	12,954,207	(1,993,785)	-15%
Transfers				
Interfund transfers	<u>(141,799)</u>	<u>(212,017)</u>	<u>70,218</u>	<u>-33%</u>
Change in Net Position	10,818,623	12,742,190	(1,923,567)	-15%
Net Position, Beginning of Year	<u>142,911,610</u>	<u>130,169,420</u>	<u>12,742,190</u>	<u>10%</u>
Net Position, End of Year	<u>\$ 153,730,233</u>	<u>\$ 142,911,610</u>	<u>\$ 10,818,623</u>	<u>8%</u>

In 2017, total operating revenues for the Program Fund were \$373.2 million. This was primarily comprised of federal and state program revenues of \$372.0 million. This compares to \$398.9 million of total operating revenues in 2016. The overall decrease in revenue of \$25.7 million is primarily from the decrease in the program income for Low-Income Home Energy Assistance Program, Hardest Hit Fund, Development Fund tobacco revenues offset by the increase in the Home Investment Partnerships Program.

Total operating expenses for the Program Fund in 2017 were \$362.2 million, which includes \$350.0 million in program expenses, and \$12.2 million of general and administrative expense. This compares to \$385.9 million of total operating expenses in 2016. Total operating expenses decreased by \$23.7 million, which primarily consists of the decrease in program expense of \$23.9 million offset by an increase in the general and administrative expenses of \$0.2 million. This program expense decrease correlates to the decreases in the aforementioned discussion on program revenues.

There were \$0.1 million in inter-fund transfers out of the Federal Programs Fund in 2017 and \$0.2 million in 2016.

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Total Program Fund operating income for 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Operating revenues, gains and losses	\$ 373.2	\$ 398.9
Operating expenses	362.2	385.9
Operating income	11.0	13.0
Interfund transfers	(0.1)	(0.2)
Change in net position	\$ 10.9	\$ 12.8

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 IHEDA Single Family Fund:

	2017	2016	Change	% Change
Revenues				
Interest income				
Investments	\$ 2,522,869	\$ 1,790,543	\$ 732,326	41%
Investments held against bonds	7,000,999	6,593,333	407,666	6%
Gain (loss) on sale of investments	4,078	(1,714)	5,792	-338%
Net decrease in fair value of investments	(2,144,266)	(4,189,446)	2,045,180	-49%
Total revenues	7,383,680	4,192,716	3,190,964	76%
Expenses				
Investment expense (down payment assistance)	1,914,720	567,936	1,346,784	237%
Loss on sale of investments	828,298	549,799	278,499	51%
Interest expense	5,861,092	5,714,780	146,312	3%
Issuance costs	1,807,136	751,143	1,055,993	141%
General and administrative expenses	548,160	906,198	(358,038)	-40%
Total expenses	10,959,406	8,489,856	2,469,550	29%
Operating Loss	(3,575,726)	(4,297,140)	721,414	-17%
Transfers				
Interfund transfers	366,152	(3,487,742)	3,853,894	-110%
Change in Net Position	(3,209,574)	(7,784,882)	4,575,308	-59%
Net Position, Beginning of Year	155,551,439	163,336,321	(7,784,882)	-5%
Net Position, End of Year	\$ 152,341,865	\$ 155,551,439	\$ (3,209,574)	-2%

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In 2017, total operating revenues for the Single Family Fund were \$7.4 million, which consists of interest income of \$9.5 million offset by the impact of the GASB No.31 adjustment to mark the investments to market of \$2.1 million. This compares to \$4.2 million of total operating revenues in 2016. The overall increase in revenue of \$3.2 million is primarily related to positive impact of the GASB No. 31 adjustment of \$2.0 million, and increased interest income of \$1.1 million.

Total operating expenses for the Single Family Fund in 2017 were \$11.0 million, which includes \$5.9 million in interest expenses, \$1.9 million in down payment assistance, \$1.8 million in bond issuance costs, \$0.8 million in loss on sale of investments, and \$0.6 million of general and administrative expense. This compares to \$8.5 million of total operating expenses in 2016. Total operating expenses increased by \$2.5 million, which correlates primarily to the increase in down payment assistance of \$1.3 million, bond issuance costs of \$1.1 million, loss on sale of investments of \$0.3 million, and \$0.2 million in interest expense offset by a decrease in general and administrative expenses of \$0.4 million attributable to reduced consulting fees.

There were \$0.4 million in interfund transfers into the Single Family Fund in 2017, while there were \$3.5 million in interfund transfers out in 2016.

Total Single Family Fund operating income for 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Operating revenues, gains and losses	\$ 7.4	\$ 4.2
Operating expenses	11.0	8.5
Operating income	(3.6)	(4.3)
Interfund transfers	0.4	(3.5)
Change in net position	\$ (3.2)	\$ (7.8)

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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 \$2.1 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2017 was (\$1.1) million resulting in a net increase in the change in net position of \$2.5 million between years.

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Change in net position	\$ (3,209,574)	\$ (7,784,882)	\$ 4,575,308	-59%
Net decrease in fair value of investments	<u>(2,144,266)</u>	<u>(4,189,446)</u>	<u>2,045,180</u>	<u>-49%</u>
Change in net position without GASB No. 31 adjustment	<u>\$ (1,065,308)</u>	<u>\$ (3,595,436)</u>	<u>\$ 2,530,128</u>	<u>-70%</u>

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Interest income				
Investments	\$ 247,617	\$ 256,485	\$ (8,868)	-3%
Investments held against bonds	5,406,148	6,084,326	(678,178)	-11%
Net decrease in fair value of investments	<u>(2,095,685)</u>	<u>(1,019,740)</u>	<u>(1,075,945)</u>	<u>106%</u>
Total revenues	<u>3,558,080</u>	<u>5,321,071</u>	<u>(1,762,991)</u>	<u>-33%</u>
Expenses				
Interest expense	4,377,378	5,058,429	(681,051)	-13%
General and administrative expenses	<u>416,225</u>	<u>471,007</u>	<u>(54,782)</u>	<u>-12%</u>
Total expenses	<u>4,793,603</u>	<u>5,529,436</u>	<u>(735,833)</u>	<u>-13%</u>
Change in Net Position	(1,235,523)	(208,365)	(1,027,158)	493%
Net Position, Beginning of Year	<u>31,230,764</u>	<u>31,439,129</u>	<u>(208,365)</u>	<u>-1%</u>
Net Position, End of Year	<u>\$ 29,995,241</u>	<u>\$ 31,230,764</u>	<u>\$ (1,235,523)</u>	<u>-4%</u>

In 2017, total operating revenues for the Home First Fund were \$3.6 million, which consists of interest income of \$5.7 million offset by the impact of the GASB No.31 adjustment to mark the investments to market of \$2.1 million. This compares to \$5.3 million of total operating revenues in 2016. The overall decrease in revenue of \$1.8 million is related primarily to impact of the GASB No. 31 adjustment of \$1.1 million coupled with reduced interest income of \$0.7 million, which correlates to the reduction in investments held against bonds.

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Total operating expenses for the Home First Fund in 2017 were \$4.8 million, which includes \$4.4 million in interest expenses, and \$0.4 million of general and administrative expense. This compares to \$5.5 million of total operating expenses in 2016. Total operating expenses decreased by \$0.7 million, which correlates primarily to the reduction of interest expense on the bonds of \$0.7 million.

There were no interfund transfers in 2017 or 2016.

Total Home First Fund operating income for 2017 and 2016 was as follows (in millions of dollars):

	<u>2017</u>	<u>2016</u>
Operating revenues, gains and losses	\$ 3.6	\$ 5.3
Operating expenses	<u>4.8</u>	<u>5.5</u>
Operating income	<u>\$ (1.2)</u>	<u>\$ (0.2)</u>

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 \$2.1 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2017 was \$0.9 million resulting in a net increase in the change in net position of \$0.1 million between years.

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Change in net position	\$ (1,235,523)	\$ (208,365)	\$ (1,027,158)	493%
Net decrease in fair value of investments	<u>(2,095,685)</u>	<u>(1,019,740)</u>	<u>(1,075,945)</u>	<u>106%</u>
Change in net position without GASB No. 31 adjustment	<u>\$ 860,162</u>	<u>\$ 811,375</u>	<u>\$ 48,787</u>	<u>6%</u>

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Revenues				
Interest income				
Investments held against bonds	\$ 4,182,892	\$ 5,101,858	\$ (918,966)	-18%
Net decrease in fair value of investments	(3,378,908)	(2,243,434)	(1,135,474)	51%
Total revenues	<u>803,984</u>	<u>2,858,424</u>	<u>(2,054,440)</u>	<u>-72%</u>
Expenses				
Interest expense	3,845,734	4,882,387	(1,036,653)	-21%
General and administrative expenses	12,700	3,500	9,200	263%
Total expenses	<u>3,858,434</u>	<u>4,885,887</u>	<u>(1,027,453)</u>	<u>-21%</u>
Operating Loss	(3,054,450)	(2,027,463)	(1,026,987)	51%
Transfers				
Interfund transfers	<u>(366,152)</u>	<u>(512,258)</u>	146,106	-29%
Change in Net Position	(3,420,602)	(2,539,721)	(880,881)	35%
Net Position, Beginning of Year	<u>9,391,993</u>	<u>11,931,714</u>	<u>(2,539,721)</u>	<u>-21%</u>
Net Position, End of Year	<u>\$ 5,971,391</u>	<u>\$ 9,391,993</u>	<u>\$ (3,420,602)</u>	<u>-36%</u>

In 2017, total operating revenues for the MBS Pass-Thru Fund were \$0.8 million, which consists of interest income of \$4.2 million offset by the impact of the GASB No. 31 adjustment to mark the investments to market of \$3.4 million. This compares to \$2.9 million of total operating revenues in 2016. The overall decrease in revenue of \$2.1 million is related to the combined impact of interest income relative to the pay down of investments for a decrease of \$0.9 million coupled with the increased impact of the GASB No. 31 adjustment of \$1.2 million.

Total operating expenses for the MBS Pass-Thru Fund in 2017 were \$3.9 million, which is primarily the \$3.9 million in interest expenses. General and administrative expenses were negligible. This compares to \$4.9 million of total operating expenses in 2016. Total operating expenses decreased by \$1.0 million, which correlates primarily to the reduction of interest expense on the bonds.

There were \$0.3 million interfund transfers out of the MBS Pass-Thru Fund in 2017 and \$0.5 million in 2016.

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Total MBS Pass-Thru Fund operating income for 2017 and 2016 was as follows (in millions of dollars):

	2017	2016
Operating revenues, gains and losses	\$ 0.8	\$ 2.9
Operating expenses	3.9	4.9
Operating income	(3.1)	(2.0)
Interfund transfers	(0.4)	(0.5)
Change in net position	\$ (3.5)	\$ (2.5)

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 \$3.4 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2017 was near breakeven resulting in a net increase in the change in net position of \$0.3 million between years.

	2017	2016	Change	% Change
Change in net position	\$ (3,420,602)	\$ (2,539,721)	\$ (880,881)	35%
Net decrease in fair value of investments	(3,378,908)	(2,243,434)	(1,135,474)	51%
Change in net position without GASB No. 31 adjustment	\$ (41,694)	\$ (296,287)	\$ 254,593	-86%

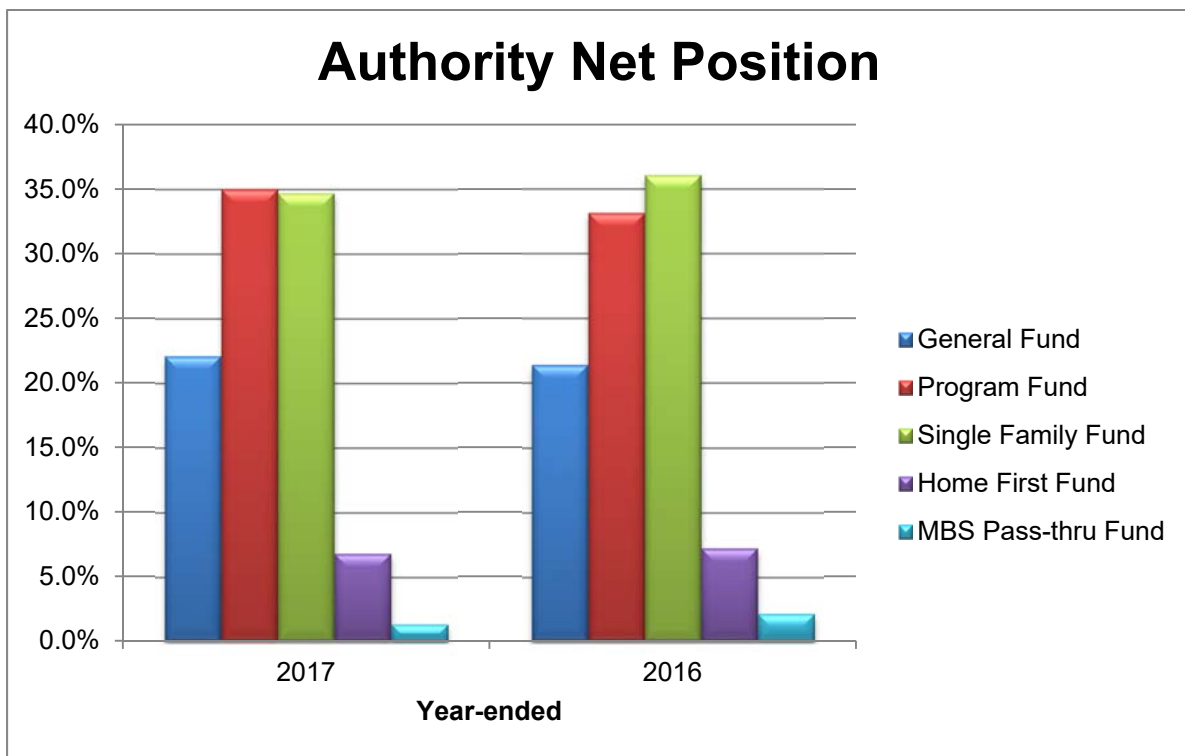
Financial Condition

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, 2017, consisted of \$224.6 million restricted by funding sources, \$212.6 million unrestricted and available to meet the obligations of the Authority's operations, and \$1.9 million net investment in capital assets. Unrestricted net position decreased \$6.2 million or 3 percent, restricted net position increased \$14.4 million or 7 percent, net investment in capital assets decreased \$0.3 million or 15 percent from the prior year end.

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December 31, 2017

The increase of \$14.4 million in restricted net position was primarily due to the increase in Federal Programs of \$8.3 million coupled with the increase between years of \$10.7 million for the Single Family bond indentures offset by reductions in Home First Fund of \$1.2 million and MBS Pass-thru Fund of \$3.4 million. The \$6.2 million change in unrestricted net position was due to the decrease in unrestricted assets for the Single Family indenture of \$13.9 million offset by the increase in the General Fund unrestricted cash and cash equivalents of \$5.2 million and the increase in Federal Programs unrestricted cash and cash equivalents of \$2.5 million.

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



Capital Assets

As of December 31, 2017 and 2016, the Authority had \$1.9 million and \$2.3 million, respectively, invested in capital assets, primarily computer software and hardware. During 2017 and 2016, the Authority had purchases of \$0.1 million and \$0.3 million, respectively, and depreciation expense of \$0.5 million and \$0.5 million, respectively.

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December 31, 2017

Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium or discount, as of December 31, 2017, was \$474.7 million, which increased \$65.5 million compared to \$409.2 million as of December 31, 2016. This increase was due to the \$94.3 million of maturities and redemptions of bonds previously issued by the Authority, offset against the \$159.8 million in mortgage revenue bond issuances in 2017. 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 2017 (dollars in thousands):

Bond Series	Tax-Exempt Amount	Taxable Amount	Total	Moody's Rating	Fitch Rating
2017 Series A-1	\$ 30,000	\$ -	\$ 30,000	Aaa	AAA
2017 Series A-2	14,070	-	14,070	Aaa	AAA
2017 Series B-1	22,000	-	22,000	Aaa	AAA
2017 Series B-2	15,740	-	15,740	Aaa	AAA
2017 Series B-3	23,000	-	23,000	Aaa	AAA
2017 Series C-1	14,295	-	14,295	Aaa	AAA
2017 Series C-2	19,995	-	19,995	Aaa	AAA
2017 Series C-3	20,705	-	20,705	Aaa	AAA
Total	<u>\$ 159,805</u>	<u>\$ -</u>	<u>\$ 159,805</u>		

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.

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

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position
December 31, 2017

Assets and Deferred Outflows of Resources

Current Assets

Cash and cash equivalents	
Unrestricted	\$ 67,923,256
Restricted	244,767,358
Accrued interest receivable	
Investments	685,711
Investments held against bonds	1,223,904
Accounts and loans receivable, net	12,507,764
Other assets	553,102
Total current assets	<u>327,661,095</u>

Noncurrent Assets

Investments	
Unrestricted	149,158,465
Restricted	12,078,654
Investments held against bonds	423,778,606
Accounts and loans receivable, net	83,514,408
Capital assets, at cost, less accumulated depreciation	1,941,520
Total noncurrent assets	<u>670,471,653</u>
Total assets	<u>998,132,748</u>

Deferred Outflows of Resources

Deferred pension costs	1,202,263
Accumulated decrease in fair value of derivative	845,900
Deferred refunding costs	2,824,727
Total deferred outflows of resources	<u>4,872,890</u>

Total assets and deferred outflows of resources	<u><u>\$ 1,003,005,638</u></u>
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Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position (Continued)
December 31, 2017

**Liabilities, Deferred Inflows of Resources
and Fund Balances**

Current Liabilities

Bonds payable	\$ 10,375,000
Accrued interest payable	3,657,958
Unearned revenue	64,323,258
Accounts payable and other liabilities	5,988,747
Total current liabilities	84,344,963

Noncurrent Liabilities

Bonds payable	464,297,539
Original issue premium	7,542,745
Original issue discount	(2,252)
Bonds payable, net	471,838,032
Notes payable	1,836,555
Derivative instrument - interest rate swap agreements	1,212,541
Pension liability	4,314,313
Total noncurrent liabilities	479,201,441
Total liabilities	563,546,404

Deferred Inflows of Resources

Deferred pension revenue	354,167
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Net Position

Net investment in capital assets	1,941,520
Restricted	224,563,618
Unrestricted	212,599,929
Total net position	439,105,067

Total liabilities, deferred inflows of resources and net position	\$ 1,003,005,638
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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, 2017

Revenues

Interest income	
Investments	\$ 5,062,031
Investments held against bonds	16,590,039
Loans	1,018,257
Fee income	5,334,026
Program income	371,910,198
Gain on sale of Next Home investments	10,278,394
Net decrease in fair value of investments	(7,863,870)
Other income	631,787
Total revenues	402,960,862

Expenses

Investment expense (down payment assistance)	8,464,519
Loss on sale of investments	1,245,215
Interest expense	14,100,556
Issuance costs	1,807,136
Program expenses	350,072,296
General and administrative expenses	19,468,061
Total expenses	395,157,783

Change in Net Position 7,803,079

Net Position, Beginning of Year 431,301,988

Net Position, End of Year \$ 439,105,067

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows From Operating Activities	
Receipts for services	\$ 16,326,434
Receipts for program revenue	380,417,467
Principal received on loans receivable	25,576
Interest received on investments	4,974,248
Interest received on investments held against bonds	15,401,343
Interest received on loans	1,018,257
Payments for program expenses	(361,366,220)
Interest paid on bonds and bank loans	(13,229,833)
Debt issuance costs incurred	(1,807,136)
Investment expense	(1,914,720)
Payments for suppliers	(9,551,474)
Payments for employees	(3,389,177)
Net cash provided by operating activities	<u>26,904,765</u>
Cash Flows From Non-Capital and Related Financing Activities	
Proceeds from bond issues	162,594,412
Repayments and redemption of bonds and bank loans	(94,354,544)
Net cash provided by non-capital and related financing activities	<u>68,239,868</u>
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	<u>(134,571)</u>
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	111,043,799
Principal received on investments held against bonds	122,052,196
Purchases of investments held against bonds	(123,543,747)
Purchase of investments	(136,927,422)
Net cash used in investing activities	<u>(27,375,174)</u>
Net Increase in Cash and Cash Equivalents	67,634,888
Cash and Cash Equivalents, January 1	<u>245,055,726</u>
Cash and Cash Equivalents, December 31	<u>\$ 312,690,614</u>
Cash and Cash Equivalents	
Cash	\$ 155,972,560
Money market investments	<u>156,718,054</u>
Total cash and cash equivalents	<u>\$ 312,690,614</u>

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows (Continued)
Year Ended December 31, 2017

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating income	\$	7,803,079
Adjustment to reconcile operating income to net cash provided by operating activities:		
Net decrease in fair value of investments		7,863,870
Loss on sale of investments		1,241,137
Depreciation		482,232
Amortization of bond premium/discount		(1,288,417)
Changes in operating assets and liabilities:		
Accounts and loan receivable		(8,308,000)
Accrued interest receivable		11,938
Other assets		642,187
Deferred pension costs		1,214,024
Deferred refunding costs		508,405
Unearned revenue		16,311,044
Accounts payable and other liabilities		738,494
Accrued interest payable		362,319
Net pension liability		(674,345)
Deferred pension revenue		(3,202)
Total adjustments		<u>19,101,686</u>
Net cash provided by operating activities	\$	<u>26,904,765</u>

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Notes to Financial Statements
December 31, 2017

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.

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Notes to Financial Statements
December 31, 2017

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.

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Notes to Financial Statements
December 31, 2017

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, 2017:

	Total Assets and Deferred Outflows of Resources	
	Fair Value	Cost
General Fund	\$ 104,473,772	\$ 105,006,598
Program Fund	223,007,689	223,007,689
Single Family Fund	416,692,717	409,730,201
Home First Fund	161,384,533	159,169,370
MBS Pass-thru Fund	97,446,927	91,718,988
	<hr/>	<hr/>
Total assets and deferred outflows of resources	<u>\$ 1,003,005,638</u>	<u>\$ 988,632,846</u>

	Net Position	
	Fair Value	Cost
General Fund	\$ 97,066,337	\$ 97,599,163
Program Fund	153,730,233	153,730,233
Single Family Fund	152,341,865	145,379,349
Home First Fund	29,995,241	27,780,078
MBS Pass-thru Fund	5,971,391	243,452
	<hr/>	<hr/>
Total net position	<u>\$ 439,105,067</u>	<u>\$ 424,732,275</u>

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	Operating Income	
	Fair Value	Cost
General Fund	\$ 4,708,356	\$ 4,953,367
Program Fund	10,960,422	10,960,422
Single Family Fund	(3,575,726)	(1,431,460)
Home First Fund	(1,235,523)	860,162
MBS Pass-thru Fund	(3,054,450)	324,458
Total operating income	\$ 7,803,079	\$ 15,666,949

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.

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A summary of capital assets activity for 2017 was as follows:

	January 1, 2017	Additions	Disposals	December 31, 2017
Building improvement	\$ 44,831	\$ -	\$ -	\$ 44,831
Furniture and equipment	336,254	-	-	336,254
Computer software	7,061,625	134,571	-	7,196,196
Computer hardware	1,022,517	-	-	1,022,517
	<u>8,465,227</u>	<u>134,571</u>	<u>-</u>	<u>8,599,798</u>
Less accumulated depreciation	<u>(6,176,048)</u>	<u>(482,232)</u>	<u>-</u>	<u>(6,658,280)</u>
Capital assets, net	<u>\$ 2,289,179</u>	<u>\$ (347,661)</u>	<u>\$ -</u>	<u>\$ 1,941,518</u>

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.

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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.

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 ratably in proportion to 2012 series redeemed during the year. Accumulated amortization of refunding costs was \$6,655,914 at December 31, 2017, and amortization expense, which is reported as part of interest expense, was \$508,405 for the year then ended.

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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. The amortization will commence in 2018, as the bonds are redeemed.

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.

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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	2017 Total
Current						
Cash and cash equivalents						
Unrestricted	\$ 49,698,118	\$ 5,995,779	\$ 12,229,359	\$ -	\$ -	\$ 67,923,256
Restricted	-	125,008,922	98,058,247	21,639,548	60,641	244,767,358
Total current cash and cash equivalents	<u>49,698,118</u>	<u>131,004,701</u>	<u>110,287,606</u>	<u>21,639,548</u>	<u>60,641</u>	<u>312,690,614</u>
Noncurrent Assets						
Investments						
Unrestricted	46,569,323	-	102,589,142	-	-	149,158,465
Restricted	-	-	8,996,755	3,081,899	-	12,078,654
Investments held against bonds	-	-	192,820,850	136,285,601	94,672,155	423,778,606
Total noncurrent investments	<u>46,569,323</u>	<u>-</u>	<u>304,406,747</u>	<u>139,367,500</u>	<u>94,672,155</u>	<u>585,015,725</u>
Total cash, cash equivalents, and investments	<u>\$ 96,267,441</u>	<u>\$ 131,004,701</u>	<u>\$ 414,694,353</u>	<u>\$ 161,007,048</u>	<u>\$ 94,732,796</u>	<u>\$ 897,706,339</u>

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Cash, cash equivalents and investments held by the Authority as of December 31, 2017 were as follows:

	<u>Fair Value</u>	<u>Cost</u>
Cash	\$ 155,972,560	\$ 155,972,560
Money market mutual funds	156,718,054	156,718,054
Federal agency obligations	159,558,942	161,613,808
Federal agency obligations held against bonds	423,778,606	407,308,659
Municipal bonds	<u>1,678,177</u>	<u>1,720,467</u>
Total cash, cash equivalents and investments	<u>\$ 897,706,339</u>	<u>\$ 883,333,548</u>

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, 2017, 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.

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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, 2017, the Authority had the following investments and maturities (in thousands):

	Fair Value	Less Than 1	Investment Maturities (in Years)		
			1 - 5	6 - 10	More Than 10
Money market mutual funds	\$ 156,718	\$ 156,718	\$ -	\$ -	\$ -
Federal agency obligations	159,559	2,406	30,098	58,550	68,505
Federal agency obligations held against bonds	423,779	-	-	4,330	419,449
Municipal bonds	1,678	-	20	-	1,658
	<u>\$ 741,734</u>	<u>\$ 159,124</u>	<u>\$ 30,118</u>	<u>\$ 62,880</u>	<u>\$ 489,612</u>

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, 2017, 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, 2017, 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	\$ 156,718,054
Federal agency obligations	AA+	AAA	Aaa	159,558,942
Federal agency obligations held against bonds	AA+	AAA	Aaa	423,778,606
Municipal bonds	AA+	AAA	Aa2	1,678,177
				<u>\$ 741,733,779</u>

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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	53.54%
Blackrock Federal Fund Institutional Money Market	16.63%
Small Business Administration	12.43%
Fannie Mae	8.27%

Note 4: Accounts and Loans Receivable

Accounts and loans receivable at December 31, 2017, were as follows:

General Fund:

Loans provided to sub-recipients of certain programs	\$ 167,063
Next Home ownership mortgage down payment assistance loans	15,229,058
Accounts receivable	1,131,273
Mortgage loans	<u>77,584</u>
	16,604,978
Less: allowance for uncollectible loans	<u>(15,416,371)</u>
	1,188,607
Current	<u>(1,111,023)</u>
Noncurrent	<u>\$ 77,584</u>

Program Fund:

Reimbursements due from other governments	\$ 6,276,232
Section 1602 tax credit exchange program loans	137,718,433
Tax credit assistance program loans	15,848,236
Rural rental housing loans	1,819,907
Home investment partnership program loans	14,176,567
Community development block grant loans	15,777,641
Development fund loans	44,020,182
Hardest hit fund loans	<u>150,027,833</u>
	385,665,031
Less: allowance for uncollectible loans	<u>(290,831,466)</u>
	94,833,565
Current	<u>(11,396,741)</u>
Noncurrent	<u>\$ 83,436,824</u>

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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, 2017, consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2006 Series B-3		
Taxable PAC bonds (5.90%), due 2037	\$ 50,000	\$ 2,650
2010 Series 08A-2		
Term bonds (variable), due 2039	85,000	22,015
2008 Series A-3		
Serial bonds (5.30%), due 2018	16,500	200
Term bonds (5.95%), due 2023	7,015	440
Term bonds (6.125%), due 2029	11,165	710
Term bonds (6.25%), due 2033	13,370	840
Term bonds (6.45%), due 2040	18,370	1,165
	<u>66,420</u>	<u>3,355</u>
2016 Series A-1		
Serial bonds (2.20% to 2.55%), due 2025 - 2027	8,220	8,220
Term bonds (2.85%), due 2031	14,735	14,735
Term bonds (2.95%), due 2033	7,045	1,580
	<u>30,000</u>	<u>24,535</u>
2016 Series A-2		
Serial bonds (1.10% to 2.50%), due 2018 - 2025	23,565	21,570
PAC bonds (3.50%), due 2038	25,990	22,780
	<u>49,555</u>	<u>44,350</u>

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Single Family Fund (Continued)	Original Amount	Balance
2017 Series A-1		
Serial bonds (1.05% to 3.15%), due 2018 - 2028	\$ 8,510	\$ 8,255
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	5,950
	<u>30,000</u>	<u>29,315</u>
2017 Series A-2		
PAC bonds (4.00%), due 2039	14,070	13,820
	<u>14,070</u>	<u>13,820</u>
2017 Series B-1		
Serial bonds (0.875% to 2.75%), due 2018 - 2028	15,210	15,210
Term bonds (3.25%), due 2032	6,790	6,790
	<u>22,000</u>	<u>22,000</u>
2017 Series B-2		
PAC bonds (4.00%), due 2038	15,740	15,740
2017 Series B-3		
Term bonds (variable), due 2047	17,000	17,000
Term bonds (variable), due 2047	6,000	6,000
	<u>23,000</u>	<u>23,000</u>
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	6,940
	<u>14,295</u>	<u>14,295</u>
2017 Series C-2		
Serial bonds (1.50% to 2.50%), due 2018 - 2024	7,465	7,465
PAC bonds (4.00%), due 2037	12,530	12,530
	<u>19,995</u>	<u>19,995</u>
2017 Series C-3		
Term bonds (variable), due 2047	20,705	20,705
Total Single Family Fund	<u>\$ 440,780</u>	<u>\$ 255,775</u>

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Home First Fund	Original Amount	Balance
2009 Series A-3 Term bonds (2.32%), due 2041	\$ 36,000	\$ 17,420
2009 Series A-4 Term bonds (2.49%), due 2041	78,000	45,690
2009 Series A-5 Term bonds (2.73%), due 2041	39,000	25,010
2010 Series A Serial bonds (2.90% to 3.55%), due 2018 - 2021	12,225	2,780
Term bonds (4.00%), due 2025	6,035	3,280
PAC bonds (4.50%), due 2028	5,740	1,275
	<u>24,000</u>	<u>7,335</u>
2011 Series A Serial bonds (2.875% to 3.625%), due 2018 - 2021	9,070	2,135
Term bonds (4.45%), due 2027	7,430	3,910
PAC bonds (4.50%), due 2028	7,500	1,865
	<u>24,000</u>	<u>7,910</u>
2011 Series B Serial bonds (2.50% to 4.00%), due 2018 - 2021	8,825	2,635
Term bonds (4.00%), due 2027	7,675	3,455
PAC bonds (4.00%), due 2028	7,500	1,830
	<u>24,000</u>	<u>7,920</u>
2011 Series C Serial bonds (3.00% to 5.00%), due 2018 - 2022	26,325	9,005
Term bonds (4.10%), due 2027	7,905	5,285
PAC bonds (4.50%), due 2027	12,680	4,380
	<u>46,910</u>	<u>18,670</u>
 Total Home First Fund	 <u>\$ 271,910</u>	 <u>\$ 129,955</u>

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MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1		
Term bonds (3.029%), due 2038	\$ 73,532	\$ 20,365
2013 Series 1		
Taxable term bonds (3.027%), due 2041	62,674	31,157
2013 Series 2		
Taxable term bonds (4.038%), due 2036	51,839	24,704
2014 Series 1		
Taxable term bonds (4.050%), due 2038	<u>28,667</u>	<u>12,717</u>
Total MBS Pass-Thru Fund	<u>\$ 216,712</u>	<u>\$ 88,943</u>
Total Bonds Payable	<u>\$ 929,402</u>	<u>\$ 474,673</u>

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

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

The 2010 Series 08A-2 bond matures on December 1, 2039, and the interest rate is SIFMA (1.71% at December 31, 2017) adjusted weekly.

The 2017 Series B bonds refunded \$17 million of the 2010 Series 08A-2. This refunding resulted in a deferred loss on refunding of \$366,641, which is recorded as a deferred outflow in the financial statements. The 2017 Series B bonds mature on July 1, 2047, and the interest rate is the E-Pro Daily rate (1.85% at December 31, 2017).

The 2017 Series C-3 bond matures on July 1, 2047, and the interest rate is the E-Pro Daily rate (1.85% at December 31, 2017).

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The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2017 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
2018	\$ 4,715	\$ 7,466	\$ 5,660	\$ 3,828	\$ -	\$ 3,073	\$ 10,375	\$ 14,367
2019	6,730	7,515	4,815	3,623	-	3,073	11,545	14,211
2020	7,115	7,403	4,985	3,465	-	3,073	12,100	13,941
2021	7,480	7,271	4,940	3,291	-	3,073	12,420	13,635
2022	7,855	7,118	5,105	3,115	-	3,073	12,960	13,306
2023 - 2027	44,790	32,619	24,455	12,907	-	15,363	69,245	60,889
2028 - 2032	50,040	25,830	26,355	8,570	-	15,363	76,395	49,763
2033 - 2037	71,350	15,731	29,960	5,044	24,704	13,988	126,014	34,763
2038 - 2042	33,335	5,246	23,680	1,332	64,239	4,197	121,254	10,775
2043 - 2047	22,365	1,997	-	-	-	-	22,365	1,997
	<u>255,775</u>	<u>118,196</u>	<u>129,955</u>	<u>45,175</u>	<u>88,943</u>	<u>64,276</u>	<u>474,673</u>	<u>227,647</u>
Original issue premium	4,156	-	1,110	-	2,277	-	7,543	-
Original issue discount	-	-	(2)	-	-	-	(2)	-
	<u>\$ 259,931</u>	<u>\$ 118,196</u>	<u>\$ 131,063</u>	<u>\$ 45,175</u>	<u>\$ 91,220</u>	<u>\$ 64,276</u>	<u>\$ 482,214</u>	<u>\$ 227,647</u>

The summary of bonds payable as of December 31, 2017 (dollars in thousands) was as follows:

Interest Rate Ranges	Maturity Range	Payment Range of Principal	Total
0.875 - 6.45%	2018 - 2047	\$3,510 -	\$ 474,673

Changes in Obligations

The following are changes in noncurrent liabilities of the Authority for the year ended December 31, 2017 (dollars in thousands):

	January 1, 2017	Additions	Reductions	December 31, 2017	Due Within One Year	Due Thereafter
Bonds payable	\$ 409,148,238	\$ 159,805,000	\$ 94,280,699	\$ 474,672,539	\$ 10,375,000	\$ 464,297,539
Premium	6,044,002	2,789,412	1,290,669	7,542,745	-	7,542,745
Discount	(4,505)	-	(2,253)	(2,252)	-	(2,252)
Note payable	1,910,400	-	73,845	1,836,555	-	1,836,555
Net pension liability	4,988,658	-	674,345	4,314,313	-	4,314,313
Total long-term obligations	<u>\$ 422,086,793</u>	<u>\$ 162,594,412</u>	<u>\$ 96,317,305</u>	<u>\$ 488,363,900</u>	<u>\$ 10,375,000</u>	<u>\$ 477,988,900</u>

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

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The Single Family and Home First bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 101 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority redeemed \$94,280,699 of bonds in 2017 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, 2017, the Authority had outstanding conduit debt of \$153,095,788.

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 2017, the Authority refunded a portion of the 2008 Series A-2 Bonds in the amount of \$17 million with the 2017B series.

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.

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Terms, Fair Value and Credit Risk: The terms, including, the fair value and credit rating of the outstanding swaps as of December 31, 2017, are as follows:

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating S&P/Moody's/Fitch
2010 Series 08A-2	\$ 22,015,000	12/2/2008	3.445%	USD-SIFMA	\$ (483,975)	7/1/2027	AA-/A1/AA
2017 Series B-3	17,000,000	7/26/2017	2.882%	USD-SIFMA	(620,824)	7/1/2027	AA-/A1/AA
2017 Series B-3	1,260,000	1/1/2018	2.420%	70% 3M LIBOR	(107,742)	7/1/2047	AA-/Aa2/AA
				Total	<u>\$ (1,212,541)</u>		

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 at \$1,212,541 as of December 31, 2017. 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, 2017 of \$845,900.

Credit Risk: The fair value of each of the swap agreements represents the Authority's credit exposure to the counterparties as of December 31, 2017. 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, 2017, 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.

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

Swaption: The Authority may, starting July 1, 2018 and semiannually thereafter, terminate the swap transaction, in whole or in part, by providing at least 30 days prior written notice to the Counterparty. No payments shall be due from any party in connection with any such optional termination except for accrued amounts that would otherwise be due on the optional termination date.

Swap Payments and Associated Debt: As of December 31, 2017, 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
2018	\$ 4,480,000	\$ 658,877	\$ 530,605	\$ 5,669,482
2019	5,755,000	558,515	449,782	6,763,297
2020	5,265,000	458,800	369,479	6,093,279
2021	4,775,000	368,196	296,515	5,439,711
2022	4,325,000	286,149	230,440	4,841,589
2023 - 2027	<u>14,415,000</u>	<u>488,539</u>	<u>393,429</u>	<u>15,296,968</u>
Total	<u>\$ 39,015,000</u>	<u>\$ 2,819,076</u>	<u>\$ 2,270,250</u>	<u>\$ 44,104,326</u>

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.

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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, 2017.

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

Federal Agency Obligations: 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.

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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, 2017:

	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	\$ 156,718,054	\$ 156,718,054	\$ -	\$ -
Federal agency obligations	568,922,467	-	568,922,467	-
Municipal bonds	1,720,467	-	1,720,467	-
	<u>1,720,467</u>	<u>-</u>	<u>1,720,467</u>	<u>-</u>
Total investments measured at fair value	<u>\$ 727,360,988</u>	<u>\$ 156,718,054</u>	<u>\$ 570,642,934</u>	<u>\$ -</u>
Investment derivative instruments				
Interest rate swaps	\$ 1,212,541	\$ -	\$ -	\$ 1,212,541

Note 8: Commitments

Lease

The Authority leases its office space under a noncancellable operating lease agreement through 2023. Lease expense for 2017 was \$465,623. The table below shows the required payments for rent and anticipated operating expenses for the remaining term of the lease.

2018	\$ 557,344
2019	559,241
2020	561,214
2021	563,266
2022	565,400
2023	<u>567,619</u>
Total future minimum payments	<u>\$ 3,374,084</u>

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.

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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. There are two tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

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

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

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

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Retirement Benefits - Defined Benefit Pension

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

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

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

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

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

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, 2017; however, eligible members received a one-time check (a.k.a. 13th check) by September 2015.

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

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

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

Significant Actuarial Assumptions

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

Asset valuation date:	June 30, 2017
Liability valuation date and method:	June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2016 to June 30, 2017.
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:	1.00%
Projected salary increases:	2.50% - 4.25%
Inflation:	2.25%

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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%	4.9%
Private equity	14.0%	5.7%
Fixed income - ex inflation linked	20.0%	2.3%
Fixed income - inflation linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real estate	7.0%	3.7%
Absolute return	10.0%	3.9%
Risk parity	12.0%	5.1%
	<u>100%</u>	

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.

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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%)
\$ 6,292,251	\$ 4,314,313	\$ 2,670,095

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, non-vested 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 PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the fiscal year ended June 30, 2016, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance with IC 5-10.3-12-24, the amount credited from the employer’s contribution rate to the member’s account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for the fiscal year ended June 30, 2017, and any amount not credited to the member’s account shall be applied to the pooled assets of the PERF Hybrid Plan.

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

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

At December 31, 2017, the Authority reported a liability of \$4,314,313 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, 2017 measurement date was 0.0009670.

For the year ended December 31, 2017, the Authority recognized pension expense of \$1,075,138, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$222,348. At December 31, 2017, 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	\$ 81,933	\$ 3,348
Net difference between projected and actual earnings on pension plan investments	682,449	216,305
Changes in assumptions	69,270	-
Changes in proportion and differences between the Authority's contributions and proportionate share contributions	316,511	350,819
Authority's contributions subsequent to the measurement date	268,405	-
Total changes	1,418,568	570,472
Netting required under GASB Statement No. 68	(216,305)	(216,305)
Total	\$ 1,202,263	\$ 354,167

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The Authority reported \$268,405 as deferred outflows of resources that will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. 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:

2018		\$ 356,469
2019		164,524
2020		81,907
2021		<u>(23,209)</u>
Total future minimum payments		<u><u>\$ 579,691</u></u>

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

Subsequent to year end, the Authority executed a swap transaction on January 26, 2018, to hedge the rate on the 2017 Series C-3 term bonds. On the effective date of July 1, 2018, the notional amount of the interest rate swap will be \$15,525,000 with a fixed rate of 2.495%. The swap can be terminated on the 1st day of each January and July, beginning on July 1, 2025 and ending on January 1, 2047, with a final termination date of July 1, 2027.

On August 16, 2018, the Authority issued \$68,720,000 of Indiana Housing and Community Development Authority Single Family Mortgage Revenue Bonds, 2018 Series A (2018 Series A Bonds). The 2018 Series A Bonds include serial bonds maturing through 2029, and term bonds, which mature in 2033, 2038, 2043 and 2048. The 2018 Series A Bonds bear interest at rates ranging from 1.50% to 4.00%.

REQUIRED SUPPLEMENTARY INFORMATION

Indiana Housing and Community Development Authority
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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*

	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.09670%	0.10992%	0.09270%	0.09168%	0.06410%
Authority's proportionate share of the net pension liability	\$ 4,314,313	\$ 4,988,658	\$ 3,775,580	\$ 2,409,291	\$ 2,195,476
Authority's covered payroll	\$ 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	89.9%	94.7%	85.0%	53.8%	54.9%
Plan fiduciary net position as a percentage of the total pension liability	76.6%	75.3%	77.3%	84.3%	78.8%

* 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, 2017, for the PERF Plan:

For active and inactive vested members, a salary load of \$400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment.

For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

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Schedule of the Authority's Contributions
Indiana Public Employee's Retirement Fund (PERF)
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually determined contribution	\$ 537,327	\$ 576,232	\$ 497,297	\$ 501,337	\$ 387,737
Contributions in relation to the contractually required contribution	<u>537,327</u>	<u>576,232</u>	<u>497,297</u>	<u>501,337</u>	<u>387,737</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	4,797,552	5,268,120	4,440,142	4,476,208	3,997,291
Contributions as a percentage of covered payroll	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, 2017, for the PERF Plan:

For active and inactive vested members, a salary load of \$400 was added to approximate the impact on average monthly earnings of unused sick leave accumulated at termination of employment.

For disabled members, the mortality assumption is updated from the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality tables to the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables.

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, 2017

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2017 Total
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents						
Unrestricted	\$ 49,698,118	\$ 5,995,779	\$ 12,229,359	\$ -	\$ -	\$ 67,923,256
Restricted	-	125,008,922	98,058,247	21,639,548	60,641	244,767,358
Accrued interest receivable						
Investments	152,605	-	514,317	18,789	-	685,711
Investments held against bonds	-	-	609,163	358,696	256,045	1,223,904
Accounts and loans receivable, net	1,111,023	11,396,741	-	-	-	12,507,764
Other assets	-	553,102	-	-	-	553,102
Total current assets	<u>50,961,746</u>	<u>142,954,544</u>	<u>111,411,086</u>	<u>22,017,033</u>	<u>316,686</u>	<u>327,661,095</u>
Noncurrent Assets						
Investments						
Unrestricted	46,569,323	-	102,589,142	-	-	149,158,465
Restricted	-	-	8,996,755	3,081,899	-	12,078,654
Investments held against bonds	-	-	192,820,850	136,285,601	94,672,155	423,778,606
Accounts and loans receivable, net	77,584	83,436,824	-	-	-	83,514,408
Capital assets, at cost, less accumulated depreciation	1,807,657	133,863	-	-	-	1,941,520
Interfund accounts	3,855,199	(3,517,542)	(337,657)	-	-	-
Total noncurrent assets	<u>52,309,763</u>	<u>80,053,145</u>	<u>304,069,090</u>	<u>139,367,500</u>	<u>94,672,155</u>	<u>670,471,653</u>
Total assets	<u>103,271,509</u>	<u>223,007,689</u>	<u>415,480,176</u>	<u>161,384,533</u>	<u>94,988,841</u>	<u>998,132,748</u>
Deferred Outflows of Resources						
Deferred pension costs	1,202,263	-	-	-	-	1,202,263
Accumulated decrease in fair value of derivative	-	-	845,900	-	-	845,900
Deferred refunding costs	-	-	366,641	-	2,458,086	2,824,727
Total deferred outflows of resources	<u>1,202,263</u>	<u>-</u>	<u>1,212,541</u>	<u>-</u>	<u>2,458,086</u>	<u>4,872,890</u>
Total assets and deferred outflows of resources	<u>\$ 104,473,772</u>	<u>\$ 223,007,689</u>	<u>\$ 416,692,717</u>	<u>\$ 161,384,533</u>	<u>\$ 97,446,927</u>	<u>\$ 1,003,005,638</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Current Liabilities						
Bonds payable	\$ -	\$ -	\$ 4,715,000	\$ 5,660,000	\$ -	\$ 10,375,000
Accrued interest payable	-	-	3,075,486	326,427	256,045	3,657,958
Unearned revenue	-	64,323,258	-	-	-	64,323,258
Accounts payable and other liabilities	2,738,955	3,117,643	132,149	-	-	5,988,747
Total current liabilities	<u>2,738,955</u>	<u>67,440,901</u>	<u>7,922,635</u>	<u>5,986,427</u>	<u>256,045</u>	<u>84,344,963</u>
Noncurrent Liabilities						
Bonds payable	-	-	251,060,000	124,295,000	88,942,539	464,297,539
Original issue premium	-	-	4,155,676	1,110,117	2,276,952	7,542,745
Original issue discount	-	-	-	(2,252)	-	(2,252)
Bonds payable, net	-	-	255,215,676	125,402,865	91,219,491	471,838,032
Notes payable	-	1,836,555	-	-	-	1,836,555
Derivative instrument - interest rate swap agreements	-	-	1,212,541	-	-	1,212,541
Pension liability	4,314,313	-	-	-	-	4,314,313
Total noncurrent liabilities	<u>4,314,313</u>	<u>1,836,555</u>	<u>256,428,217</u>	<u>125,402,865</u>	<u>91,219,491</u>	<u>479,201,441</u>
Total liabilities	<u>7,053,268</u>	<u>69,277,456</u>	<u>264,350,852</u>	<u>131,389,292</u>	<u>91,475,536</u>	<u>563,546,404</u>
Deferred Inflows of Resources						
Deferred pension revenue	354,167	-	-	-	-	354,167
Net Position						
Net investment in capital assets	1,807,657	133,863	-	-	-	1,941,520
Restricted	-	151,118,133	37,478,853	29,995,241	5,971,391	224,563,618
Unrestricted	95,258,680	2,478,237	114,863,012	-	-	212,599,929
Total net position	<u>97,066,337</u>	<u>153,730,233</u>	<u>152,341,865</u>	<u>29,995,241</u>	<u>5,971,391</u>	<u>439,105,067</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 104,473,772</u>	<u>\$ 223,007,689</u>	<u>\$ 416,692,717</u>	<u>\$ 161,384,533</u>	<u>\$ 97,446,927</u>	<u>\$ 1,003,005,638</u>

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, 2017

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2017 Total
Revenues						
Interest income						
Investments	\$ 2,288,116	\$ 3,429	\$ 2,522,869	\$ 247,617	\$ -	\$ 5,062,031
Investments held against bonds	-	-	7,000,999	5,406,148	4,182,892	16,590,039
Loans	-	1,018,257	-	-	-	1,018,257
Fee income	5,099,740	234,286	-	-	-	5,334,026
Program income	-	371,910,198	-	-	-	371,910,198
Gain on sale of Next Home investments	10,274,316	-	4,078	-	-	10,278,394
Net decrease in fair value of investments	(245,011)	-	(2,144,266)	(2,095,685)	(3,378,908)	(7,863,870)
Other income	631,787	-	-	-	-	631,787
Total revenues	<u>18,048,948</u>	<u>373,166,170</u>	<u>7,383,680</u>	<u>3,558,080</u>	<u>803,984</u>	<u>402,960,862</u>
Expenses						
Investment expense (down payment assistance)	6,549,799	-	1,914,720	-	-	8,464,519
Loss on sale of investments	416,917	-	828,298	-	-	1,245,215
Interest expense	-	16,352	5,861,092	4,377,378	3,845,734	14,100,556
Issuance costs	-	-	1,807,136	-	-	1,807,136
Program expenses	45,502	350,026,794	-	-	-	350,072,296
General and administrative expenses	6,328,374	12,162,602	548,160	416,225	12,700	19,468,061
Total expenses	<u>13,340,592</u>	<u>362,205,748</u>	<u>10,959,406</u>	<u>4,793,603</u>	<u>3,858,434</u>	<u>395,157,783</u>
Operating Income (Loss)	4,708,356	10,960,422	(3,575,726)	(1,235,523)	(3,054,450)	7,803,079
Transfers						
Interfund transfers	141,799	(141,799)	366,152	-	(366,152)	-
Increase (Decrease) in Net Position	4,850,155	10,818,623	(3,209,574)	(1,235,523)	(3,420,602)	7,803,079
Net Position, Beginning of Year	92,216,182	142,911,610	155,551,439	31,230,764	9,391,993	431,301,988
Net Position, End of Year	<u>\$ 97,066,337</u>	<u>\$ 153,730,233</u>	<u>\$ 152,341,865</u>	<u>\$ 29,995,241</u>	<u>\$ 5,971,391</u>	<u>\$ 439,105,067</u>

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, 2017

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2017 Total
Cash Flows From Operating Activities						
Receipts for services	\$ 16,326,434	\$ -	\$ -	\$ -	\$ -	\$ 16,326,434
Receipts for program revenue	-	380,417,467	-	-	-	380,417,467
Principal received on loans receivable	25,576	-	-	-	-	25,576
Interest received on investments	2,426,233	3,429	2,286,486	258,100	-	4,974,248
Interest received on investments held against bonds	-	-	6,723,799	4,872,053	3,805,491	15,401,343
Interest received on loans	-	1,018,257	-	-	-	1,018,257
Payments for program expenses	(45,502)	(361,320,718)	-	-	-	(361,366,220)
Interest paid on bonds and bank loans	-	(16,352)	(5,386,536)	(4,437,161)	(3,389,784)	(13,229,833)
Debt issuance costs incurred	-	-	(1,807,136)	-	-	(1,807,136)
Investment expense	-	-	(1,914,720)	-	-	(1,914,720)
Payments for suppliers	(8,347,436)	-	(775,113)	(416,225)	(12,700)	(9,551,474)
Payments for employees	(3,389,177)	-	-	-	-	(3,389,177)
Interfund activity	(272,080)	(65,577)	337,657	-	-	-
Net cash provided by (used in) operating activities	<u>6,724,048</u>	<u>20,036,506</u>	<u>(535,563)</u>	<u>276,767</u>	<u>403,007</u>	<u>26,904,765</u>
Cash Flows From Non-Capital and Related Financing Activities						
Proceeds from bond issues	-	-	162,594,412	-	-	162,594,412
Repayments and redemption of bonds and bank loans	-	(73,845)	(54,195,000)	(21,775,000)	(18,310,699)	(94,354,544)
Transfers	141,799	(141,799)	366,152	-	(366,152)	-
Net cash provided by (used in) non-capital and related financing activities	<u>141,799</u>	<u>(215,644)</u>	<u>108,765,564</u>	<u>(21,775,000)</u>	<u>(18,676,851)</u>	<u>68,239,868</u>
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(101,466)	(33,105)	-	-	-	(134,571)
Cash Flows From Investing Activities						
Proceeds from sale and maturities of investments	36,504,099	-	73,370,620	1,169,080	-	111,043,799
Principal received on investments held against bonds	-	-	81,573,658	22,167,353	18,311,185	122,052,196
Purchases of investments held against bonds	-	-	(123,543,747)	-	-	(123,543,747)
Purchase of investments	(37,543,311)	-	(99,384,111)	-	-	(136,927,422)
Net cash provided by (used in) investing activities	<u>(1,039,212)</u>	<u>-</u>	<u>(67,983,580)</u>	<u>23,336,433</u>	<u>18,311,185</u>	<u>(27,375,174)</u>
Net Increase in Cash and Cash Equivalents	5,725,169	19,787,757	40,246,421	1,838,200	37,341	67,634,888
Cash and Cash Equivalents, January 1	<u>43,972,949</u>	<u>111,216,944</u>	<u>70,041,185</u>	<u>19,801,348</u>	<u>23,300</u>	<u>245,055,726</u>
Cash and Cash Equivalents, December 31	<u>\$ 49,698,118</u>	<u>\$ 131,004,701</u>	<u>\$ 110,287,606</u>	<u>\$ 21,639,548</u>	<u>\$ 60,641</u>	<u>\$ 312,690,614</u>
Cash and Cash Equivalents						
Cash	\$ 4,225,518	\$ 131,004,701	\$ 20,705,000	\$ -	\$ 37,341	\$ 155,972,560
Money market investments	45,472,600	-	89,582,606	21,639,548	23,300	156,718,054
Total cash and cash equivalents	<u>\$ 49,698,118</u>	<u>\$ 131,004,701</u>	<u>\$ 110,287,606</u>	<u>\$ 21,639,548</u>	<u>\$ 60,641</u>	<u>\$ 312,690,614</u>

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, 2017

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2017 Total
Reconciliation of Operating Income to Net Cash						
Provided by Operating Activities:						
Operating income (loss)	\$ 4,708,356	\$ 10,960,422	\$ (3,575,726)	\$ (1,235,523)	\$ (3,054,450)	\$ 7,803,079
Adjustment to reconcile operating income to net cash provided by operating activities:						
Net decrease in fair value of investments	245,011	-	2,144,266	2,095,685	3,378,908	7,863,870
Loss on sale of investments	416,917	-	824,220	-	-	1,241,137
Depreciation	447,107	35,125	-	-	-	482,232
Amortization of bond premium/discount	-	-	(209,250)	(611,058)	(468,109)	(1,288,417)
Changes in operating assets and liabilities:						
Accounts and loan receivable	346,167	(8,654,167)	-	-	-	(8,308,000)
Accrued interest receivable	138,117	-	(304,333)	87,446	90,708	11,938
Other assets	(272,080)	576,610	337,657	-	-	642,187
Deferred pension costs	1,214,024	-	-	-	-	1,214,024
Deferred refunding costs	-	-	-	-	508,405	508,405
Unearned revenue	-	16,311,044	-	-	-	16,311,044
Accounts payable and other liabilities	157,976	807,472	(226,954)	-	-	738,494
Accrued interest payable	-	-	474,557	(59,783)	(52,455)	362,319
Net pension liability	(674,345)	-	-	-	-	(674,345)
Deferred pension revenue	(3,202)	-	-	-	-	(3,202)
Total adjustments	<u>2,015,692</u>	<u>9,076,084</u>	<u>3,040,163</u>	<u>1,512,290</u>	<u>3,457,457</u>	<u>19,101,686</u>
Net cash provided by (used in) operating activities	<u>\$ 6,724,048</u>	<u>\$ 20,036,506</u>	<u>\$ (535,563)</u>	<u>\$ 276,767</u>	<u>\$ 403,007</u>	<u>\$ 26,904,765</u>