MINUTES AND MEMORANDA OF A MEETING
OF
THE BOARD OF DIRECTORS OF
INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

Held: April 23, 2020

A regular meeting of the Board of Directors of the Indiana Housing and Community Development Authority ("IHCDA" or "Authority") was held on Thursday, April 23, 2020, at 10:00 a.m. telephonically.

The following individuals were present telephonically: Jodi Golden (Lieutenant Governor Designee); Treasurer Kelly Mitchell (Indiana Treasurer of State); Mark Pascarella (Indiana Public Finance Director designee); Board Member J. June Midkiff; Board Member G. Michael Schopmeyer; Board Member Andy Place, Sr.; J. Jacob Sipe (IHCDA Executive Director); members of the staff of the Lieutenant Governor, members of the staff of the Authority, and the general public. Board Member Tom McGowan was not in attendance.

Jodi Golden served as Chair of the meeting, and upon noting the presence of a quorum, called the meeting to order. Shenna Robinson served as Secretary.

I. Approval of Minutes

A. Meeting Minutes

A motion was made by G. Michael Schopmeyer to approve the March 26, 2020 Meeting Minutes, which was seconded by J. June Midkiff and the following Resolution was unanimously approved:

> **RESOLVED**, the Minutes of the Board meeting held on March 26, 2020 are hereby approved to be placed in the Minute Book of the Authority.

II. Real Estate

A. Bond Volume/4% Credits – Green Oaks of Goshen

Chairperson Golden recognized Peter Nelson, who presented a Bond Volume/4% Credits – Green Oaks of Goshen.

Background:
IHCDA is empowered to act as the housing credit agency for the State to administer, operate, and manage the allocation of the Internal Revenue Service Section 42 low-income housing tax credit (LIHTC) program. The purpose of the LIHTC is to provide an incentive for private developers and investors to provide more affordable rental housing. This may be accomplished by new construction and rehabilitation of existing structures.

Process:
On January 1, 2019, IHCDA began the 2019A-B bond round for multi-family bond volume. The twentieth application received and reviewed represented a total development cost of $27,556,504 with $18,395,013 in bond volume and $927,195 in LIHTCs annually for ten years to create 120 units of affordable housing.

Evergreen Real Estate Group is proposing the new construction of 120 affordable assisted living units in Goshen. The project will be a four-story building and contain studio and one-bedroom units for seniors age 62 and older. Each unit will contain a kitchenette and private bathroom. The project will have a dining room with commercial kitchen that serves three meals a day and snacks. Other amenities include a fitness room, beauty salon, game room, activity rooms, library, and lounges. Certified staff will be on duty 24 hours a day, and the facility will provide transportation for the residents.

During the round, the Real Estate Department staff reviewed the application to ensure it met the criteria set forth in the 2020-2021 Qualified Allocation Plan. The development summary sheet is attached hereto as **Exhibit A**.

Key Performance Indicators

2020 Bond Approvals

Location	# Affordable Units	Construction Type	Development Type
Indianapolis	159	New Construction	Family
Bloomington	116	Rehabilitation	Family
Washington	150	Rehabilitation	Family
Fort Wayne	94	Rehabilitation	Family
Lafayette	100	Rehabilitation	Family

Following discussion, a motion was made by G. Michael Schopmeyer to approve awarding $18,395,013 in bond volume and $927,195 in annual LIHTC to Green Oaks of Goshen, LLC for Green Oaks of Goshen according to the terms of the 2019A-B Application Round, as recommended by staff. The motion was seconded by Kelly Mitchell. The motion passed unanimously.

> **RESOLVED**, that the Board approve awarding $18,395,013 in bond volume and $927,195 in annual LIHTC to Green Oaks of Goshen, LLC for Green Oaks of Goshen according to the terms of the 2019A-B Application Round, as recommended by staff.

B. Reallocation Policies for TBRA and Housing First Programs

Chairperson Golden recognized Jeff Zongolowicz, who discussed the Reallocation Policies for TBRA and Housing First Programs.

Background:
The Indiana Housing First and the HOME Investment Partnerships Program (HOME) Tenant Based Rental Assistance (TBRA) program both provide rental assistance and supportive services to individuals and families who are experiencing or at risk of experiencing homelessness. Both programs use a Housing First model, meaning that the services provided are voluntarily selected by participants and are predicated on a harm reduction approach to addiction. Housing First is an approach to quickly and successfully connect individuals and families experiencing a housing crisis to permanent housing without preconditions or barriers to entry. Supportive services are offered to maximize housing stability and to prevent returns to homelessness, incarceration, or treatment programs.

IHCDA awards Housing First and HOME TBRA funding to organizations with an award period of two years. Throughout the award period, recipients report expenditures and data regarding households served.

Process:
IHCDA regularly tracks and monitors Indiana Housing First and HOME TBRA award recipients for performance and compliance. The attached reallocation policies provide IHCDA with the discretion to de-allocate funds if a recipient fails to meet benchmarks or is unlikely to spend its entire award amount. Alternatively, IHCDA may also offer award recipients an extension to provide more time for funds to be expended.

If IHCDA chooses to de-allocate funds, IHCDA will either make the de-allocated funds available in a future RFP or increase an award to another recipient that has demonstrated high performance.

Following discussion, a motion was made by J. June Midkiff to approve the Indiana Housing First Grant Reallocation Policy, attached hereto as **Exhibit B**, as recommended by staff. The motion was seconded by Mark Pascarella. The motion passed unanimously.

RESOLVED, that the Board approve the Indiana Housing First Grant Reallocation Policy, attached hereto as **Exhibit B** , as recommended by staff.

Following discussion, a motion was made by G. Michael Schopmeyer to approve the HOME Tenant Based Rental Assistance Grant Reallocation Policy, attached hereto as **Exhibit C**, as recommended by staff. The motion was seconded by Kelly Mitchell. The motion passed unanimously.

RESOLVED, that the Board approve the HOME Tenant Based Rental Assistance Grant Reallocation Policy, attached hereto as **Exhibit C**, as recommended by staff.

C. Housing Choice Voucher Program Approval to Accept Transfer - Jasonville Housing Authority Housing Choice Voucher Program

Chairperson Golden recognized Jeff Zongolowicz, who discussed the Housing Choice Voucher Program Approval to Accept Transfer - Jasonville Housing Authority Housing Choice Voucher Program.

Background:
On March 16, 2020, the Jasonville Housing Authority (HA) Board of Commissioners passed a board resolution to approve the transfer of its Housing Choice Voucher (HCV) Budget Authority to the Indiana Housing and Community Development Authority (IHCDA). The U.S. Department of Housing and Urban Development (HUD) has requested that IHCDA accept the voucher transfer to preserve affordable housing opportunities for the households currently benefitting from the Jasonville HA HCV program.

Process
The HUD Office of Public and Indian Housing Notice PIH 2018-12 provides the process for voluntary transfers and consolidations of Housing Choice Vouchers.

Following the initial request from HUD for IHCDA to absorb the Jasonville HA HCV program, IHCDA scheduled a briefing with the Indianapolis HUD Field Office to discuss the current state of the Jasonville HA program. During the briefing, HUD Field Office staff stated that they are aware of current non-compliance within the Jasonville HA program and assured IHCDA that it will not affect HUD's evaluation of the IHCDA HCV program's compliance

Following board approval, IHCDA will send an executed notice to HUD acknowledging the request and accepting the receipt of the transfer of vouchers from the Jasonville Housing Authority. A memorandum of understanding between IHCDA and Jasonville HA will be executed to allow IHCDA to provide limited management oversight of the Jasonville HA HCV program until the official transfer of the program is received from HUD headquarters.

HUD has stated it anticipates this transfer to be effective on July 1, 2020.

Following discussion, a motion was made by J. June Midkiff to approve IHCDA's acceptance of the transfer of the HCV Budget Authority from the Jasonville Housing Authority in coordination with HUD, and to do and take all actions necessary to effectuate such transfer in a manner which negligibly burdens HCV program clients and which limits the transfer to the direct assets and obligations of Jasonville Housing Authority HCV program pursuant to Section 8 of the U.S. Housing Act of 1937, as amended, 42 U.S.C. § 1437f, including assuming the allocated vouchers and requirements for making housing assistance payments, and specifically not including assuming any other Jasonville Housing Authority liabilities, including but not limited to unmet payroll obligations or costs associated with dissolution, as recommended by staff. The motion was seconded by Mark Pascarella. The motion passed unanimously.

RESOLVED, that the Board approve IHCDA's acceptance of the transfer of the HCV Budget Authority from the Jasonville Housing Authority in coordination with HUD, and to do and take all actions necessary to effectuate such transfer in a manner which negligibly burdens HCV program clients and which limits the transfer to the direct assets and obligations of Jasonville Housing Authority HCV program pursuant to Section 8 of the U.S. Housing Act of 1937, as amended, 42 U.S.C. § 1437f, including assuming the allocated vouchers and requirements for making housing assistance payments, and specifically not including assuming any other Jasonville Housing Authority liabilities, including but not limited to unmet payroll obligations or costs associated with dissolution, as recommended by staff.

III. Community Programs

A. Low-Income Home Energy Assistance Program Administration for Marion County Service Territory

Chairperson Golden recognized Thomas Hartnett-Russell, who discussed a Low-Income Home Energy Assistance Program Administration for Marion County Service Territory.

Background:
The Low-Income Home Energy Assistance Program (LIHEAP) provides utility assistance to low-income households throughout the state of Indiana. LIHEAP is funded by the U.S. Department of Health and Human Services. Heating benefits are provided between November and May. LIHEAP funds are allocated according to a formula that was previously approved by the Board. The allocation table currently in use by IHCDA allocates funds to each local service provider's service territory based on the relative proportions of households in which: (1) income is at or below 150% of the federal poverty level; (2) at least one member of the household is age 60 years or over; (3) at least one member of the household qualifies as disabled; (4) the household was served with a LIHEAP benefit in the previous year; and (5) the household's primary heating source uses a deliverable bulk fuel.

According to the LIHEAP Act of 1981, service delivery may be provided through any community-based organization or state or local government entity. For the 2019-2020 program year, IHCDA received $78,019,664 and will serve an estimated 112,000 households throughout the state. Currently, service delivery is provided by Indiana's 21 local service providers, most of which are community action agencies. In Marion County, service delivery is provided by the Marion County Consortium, a partnership between the United Way of Central Indiana and other entities. United Way of Central Indiana is the subgrantee of record for these purposes and facilitates the coordination of the Marion County Consortium's activities.

For program year 2020, the allocation for the Marion County service territory is $11,170,571.00. So far this program year, 15,889 households have been served in the Marion County service territory. We expect similar numbers for next year.

As part of its general strategic restructuring and realignment of its mission, the United Way of Central Indiana has notified IHCDA that it intends to end its participation in LIHEAP administration effective September 30, 2020, the end of the current program year.

Process:
On January 17, 2020, IHCDA issued a Request for Proposals (RFP) to seek an entity to become the local service provider for Marion County, effective October 1, 2020. The RFP was posted on IHCDA's website and released through govdelivery.com.

The respondents to the RFP were required to provide the following information: (1) credentials; (2) experience in administering large scale assistance programs; (3) previous LIHEAP, IHCDA or federally-funded award performance; (4) program management and staff development plans; (5) community outreach plans; (6) distribution of regular and crisis assistance plans; (7) capacity to coordinate with local community resources; (8) fiscal accounting and reporting practices; (9) internal controls for program integrity; (10) coordinated service delivery strategy; and (11) financial documents. Each respondent was required to include memoranda of understanding from all the community partners and resources identified in its response.

Proposals were due on February 24, 2020, and IHCDA received one response from The John H. Boner Community Center, Inc. (JHBCC). JHBCC is currently one of the partner agencies comprising the Marion County Consortium and has a working knowledge of the day-to-day requirements of administering LIHEAP, as well as insight into the larger issues involved in administering the program. JHBCC also has experience administering grants and has never had any of these agreements terminated. No other entities submitted a proposal for the service territory.

To review the proposal, IHCDA developed a review team that consisted of four (4) non-Energy Assistance Program staff members and one (1) Energy Assistance Program staff member. After the initial proposal review, IHCDA held a phone conference with representatives from JHBCC on April 07, 2020. This conference allowed IHCDA to request more detailed information that was not included in the proposal and provided JHBCC representatives an opportunity to ask any clarifying questions. This session was attended by two (2) non-Energy Assistance Program staff members and one (1) Energy Assistance Program staff member. During this process, JHBCC confirmed that it would largely use the same network of partners that comprise the Marion County Consortium and would seek new partners to address physical gaps in its coverage. Based on the response provided and the information discussed on the phone conference, the review team concluded that JHBCC had demonstrated an adequate strategy and capacity to provide service delivery for LIHEAP in Marion County.

Following discussion, a motion was made by Kelly Mitchell to approve designation of The John H. Boner Community Center, Inc. as the Low-Income Home Energy Assistance Program local service provider for Marion County, as recommended by staff. The motion was seconded by J. June Midkiff. The motion passed unanimously.

> **RESOLVED**, that the Board approve designation of The John H. Boner Community Center, Inc. as the Low-Income Home Energy Assistance Program local service provider for Marion County, as recommended by staff.

IV. Finance

A. 2019 IHCDA External Audit

Chairperson Golden recognized Mark Pascarella, who discussed the 2019 IHCDA External Audit.

Background:
This Board established an Audit Committee comprised of the following members: Erin Sheridan, Mark Pascarella, and Tom McGowan. The role of this Committee is to ensure the fiscal, operational, and program integrity of IHCDA and to make reports and recommendations to the Board.

Process:
On April 14, 2020, the IHCDA Audit Committee met with representatives of IHCDA's auditing firm, BKD, LLP, and IHCDA staff to discuss the results of the December 31, 2019 Financial Statement Audit. The following items were discussed:

- The financial statements and independent auditors' report, attached hereto as **Exhibit D**;
- The schedule of expenditures of federal awards (the single audit report) and independent auditors' report, attached hereto as **Exhibit E**; and
- The management comment letter, attached hereto as **Exhibit F**.

Copies of these documents follow this memorandum.

Following discussion, a motion was made by Mark Pascarella to approve the December 31, 2019 IHCDA Financial Statements and Independent Auditors' Report, attached hereto as **Exhibit D**, as recommended by the Audit Committee and staff. The motion was seconded by G. Michael Schopmeyer. The motion passed unanimously.

> **RESOLVED**, that the Board approve the December 31, 2019 IHCDA Financial Statements and Independent Auditors' Report, attached hereto as **Exhibit D** as recommended by the Audit Committee and staff.

Following discussion, a motion was made by Mark Pascarella to approve the December 31, 2019 IHCDA Schedule of Expenditures of Federal Awards and Independent Auditors' Report, attached hereto as **Exhibit E**, as recommended by the Audit Committee and staff. The motion was seconded by J. June Midkiff. The motion passed unanimously.

> **RESOLVED**, that the Board approve the December 31, 2019 IHCDA Schedule of Expenditures of Federal Awards and Independent Auditors' Report, attached hereto as **Exhibit E**, as recommended by the Audit Committee and staff.

*** Board Member Andy Place, Sr. approved all motions presented at the meeting via communication with IHCDA General Counsel, David Stewart, due to technical difficulties. Mr. Stewart informed the Board of this issue and the Board directed that this information be noted in these Minutes.

V. Executive

A. Executive Update

Chairperson Golden recognized J. Jacob Sipe, who presented the Executive Update.

1. **Operations**:

a. J. Sipe mentioned that IHCDA staff has continued to operate remotely.
b. J. Sipe mentioned the need to keep partners and the public informed of the actions and guidance that is currently being operated under. IHCDA created a COVID-19 Action/Resource page (https://www.in.gov/ihcda/coronavirus.htm).
    i. The resource page includes program updates; CARES Act information; technical assistance resources from our federal and state partners like HUD, USDA, Purdue Extension, and the Indiana Bond Bank; and other technical assistance and resources.
    ii. J. Sipe continues to issue a weekly update from IHCDA on activities that is posted on the action page.
c. IHCDA continues to facilitate 20+ stakeholder weekly calls to listen to the concerns, challenges, opportunities and positive stories from partners and the impact that they are having. IHCDA is sharing and gathering information as a result of those weekly calls.

2. **CARES Act:**
    a. J. Sipe mentioned the CARES Act, which is the Coronavirus Aid, Relief and Economic Security (CARES) Act that was passed by Congress and signed into law by President Donald Trump on March 27, 2020. Through the CARES Act, there are additional funds available to State, Local, and Tribal governments to address COVID-19. Seven IHCDA-administered programs will be receiving additional funds. IHCDA has included a table on the COVID-19 action page to share those resources with the public. Those programs are:
        i. Emergency Solutions Grant (ESG)
        ii. Housing Opportunities for Persons with Aids (HOPWA)
        iii. Housing Choice Vouchers (TBRA)
        iv. Project Based Rental Assistance
        v. Housing for Persons with Disabilities
        vi. Energy Assistance Program
        vii. Community Service Block Grant
    b. J. Sipe mentioned that of the seven programs, IHCDA is aware of two programs that have identified the dollar amounts that IHCDA will be responsible for administering. For the Emergency Solutions Grant, IHCDA plans to administer is about $13.5 million, and for Housing Opportunities for Persons with Aids about $231,000, will be administered by IHCDA. He also mentioned that the website provides more detail and shares which other communities within the state are receiving these dollars and what the total amount coming to the state of Indiana is.
    c. J. Sipe mentioned that the first week of May is when IHCDA will expect to receive additional guidance on how to allocate resources, prioritizing, program guidelines, and funding amounts.

3. **Governor's Executive Orders:**
    a. J. Sipe mentioned the Governor's Executive Order 20-06, which is a temporary prohibition on evictions and foreclosures.
        i. Another part of the order is the directive to IHCDA to partner with the Indiana Department of Financial Institutions, to promote housing stability.
        ii. One of the actions IHCDA has already taken is to create an Eviction & Foreclosure Resource Guide targeting renters & homeowners.
            1. The guide provides guidance on how to communicate with landlords and mortgage companies if a person is struggling and having challenges with making a rent or mortgage payment. The resource guide is now available for renters and homeowners.
            2. The resource guide was done in collaboration with IHCDA, IDFI, Indiana Bankers Association, Indiana Mortgage Bankers Association, Indiana Credit Union League, and the Indiana Apartment Association.
            3. J. Sipe thanked everyone for coming together to create this resource guide for renters and homeowners who may be struggling during this time.

4. **Hardest Hit Funds:**
    a. J. Sipe stated that there are homeowners who are struggling, and IHCDA has administered the Indiana Foreclosure Prevention Network and the Indiana Hardest Hit Fund.
        i. The funds are designed to prevent foreclosure,
        ii. IHCDA has some dollars remaining that is available.

b. J. Sipe mentioned that IHCDA has worked closely with the U.S. Department of Treasury to amend its policy on the Hardest Hit Fund and to make available the remaining $30 million to provide mortgage payment assistance.
    i. The mortgage payment assistance is available to the homeowners who are having challenges with making their mortgage payment.
    ii. IHCDA can now provide up to six months of mortgage assistance.
    iii. If an individual or household is interested in applying for the mortgage assistance, they can call 877-get-hope or go to 877gethope.org.

5. **Executive Director Delegation Update**:
    a. J. Sipe mentioned that the Executive Director Delegation Update which the Board approved at last month's Board meeting provided J. Sipe with the opportunity to respond quickly on how to deal with COVID-19.
    b. J. Sipe mentioned that one of IHCDA's stakeholder calls is with the Continuum of Care, which consists of organizations across Indiana that represent 16 regions for IHCDA and covers 91 counties.
    c. J. Sipe stated that the county that is not covered by IHCDA Continuum of Care is Marion County, which is separate from IHCDA's Continuum of Care.
    d. J. Sipe mentioned that Elby Hilton leads the discussions on the calls, and the need for flexible resources for the regions to be able to respond to COVID-19 was continually brought up. He mentioned that IHCDA worked to see if there were resources available that would be flexible and would allow the agencies to respond.
    e. J. Sipe mentioned that Elby did a magnificent job developing a strategy and identifying $400,000 of emergency housing response funds.
    f. IHCDA made 16 grants to one lead agency of each of the regions for $25,000. The grants were one-time awards to one organization per region, to allow them to prepare for and respond to COVID-19. The goal of these funds is specifically targeting the response to individuals experiencing homelessness who might be affected by the outbreak. Eligible costs include:
        i. Coordination with local health departments and hospitals.
        ii. Obtaining cleaning/sanitizing supplies.
        iii. Quarantining with hotel or motel rooms.
        iv. Providing operational costs for isolation shelters.
        v. Transportation costs of clients or staff.
    g. J. Sipe thanked Elby Hilton and her team for coordinating the weekly calls and listening in and identifying the challenges. He also thanked the leaders within the Balance of State Continuum of Care.
    h. J. Sipe mentioned that the dollars are flexible and could be used as match for the grantees as additional dollars come their way.
    i. J. Sipe let the Board know that the Delegation Authority expires today; therefore, he would like for the Board to do another extension because of the guidance that IHCDA expects to receive from the CARES Act in the first week of May. He stated that there may be opportunity to respond quickly in developing allocation policies that may normally require Board approval, rather than waiting until May 28th. J. Sipe mentioned the importance of being flexible in the next few weeks as IHCDA gets guidance from HUD and the USDA on CARES Act funding and ensuring that IHCDA is able to take action with that guidance in a way in which we will not have to wait until May 28th.
    j. J. Sipe stated that IHCDA has been transparent with the Board and the public, including the actions IHCDA has taken by creating the COVID-19 Actions web site and keeping the Board updated on IHCDA's responses.
    k. J. Sipe requested that the board consider extending the Delegation Authority at least through May 27th.

    G. Michael Schopmeyer asked David Stewart to critique his motion. David Stewart responded that he would write up the extension, which would extend J. Sipe's Delegation Authority until the Board meets again.

    Following discussion, a motion was made by G. Michael Schopmeyer to extend the Executive Director Delegation policy until another formal Board meeting occurs, as recommended by staff. The motion was seconded by Mark Pascarella. The motion passed unanimously.

G. Michael Schopmeyer asked David Stewart to verify Andy Place Sr.'s votes after the call, due to Andy Place Sr. being unable to be heard on the call for the record. David confirmed that he intended to verify Andy Place Sr.'s votes and reflect them in the record.

6. **<u>May's IHCDA Board Meeting Location</u>**:

   a. J. Sipe stated that the next Board meeting was originally planned to take place at the Rushville City Center scheduled for May 28th at 10am. IHCDA will make a final decision regarding whether there will be a change in location within the next two weeks. The Rushville City Center was part of a campaign that participated in IHCDA's CreatINg Places program. They have used the CreatINg Places program to raise over $50,325 (84 donations); IHCDA provided match with a $50,000 grant to install a new marquee in their City Center in downtown Rushville, which was a former Masonic Temple and the Indiana Office of Community and Rural Affairs assisted also.

VI. Other Business

There being no further business, a motion was made by J. June Midkiff to adjourn the meeting, which was seconded by Mark Pascarella; the motion passed unanimously, and the meeting was adjourned at 10:57 a.m.

Respectfully submitted,

Suzanne Crouch
Suzanne Crouch (May 28, 2020 11:29 EDT)

Lieutenant Governor, Suzanne Crouch, or her designee

ATTEST:

J. Jacob Sipe
Executive Director for IHCDA

Exhibit A

Indiana Housing & Community Development Authority

INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY
RENTAL HOUSING TAX CREDIT (RHTC) PROGRAM
PROPOSED DEVELOPMENT SUMMARY
2019A-B Bond Round

PROJECT NAME:	Green Oaks of Goshen
SITE LOCATION:	282 Johnston Street Goshen, IN 46528
PROJECT TYPE:	New Construction
PROJECT DESIGNATION:	Assisted Living
APPLICANT:	Green Oaks of Goshen, LLC
PRINCIPALS:	Kevin Beard Roaring Fork Holdings LLC Steve Rappin and Jeff Rappin

# OF UNITS AT EACH SET ASIDE		UNIT MIX	
80% of AMI:	29	Efficiency:	49
60% of AMI:	49	One bedroom:	71
40% of AMI:	42	Two bedroom	0
30% of AMI:	0	Three bedroom:	0
Market Rate:	0	Four bedroom:	0
		Total units:	120

TOTAL PROJECTED COSTS:	$27,556,504
TAX CREDITS PER UNIT:	$7,726.63
CREDIT REQUESTED:	$927,195
CREDIT RECOMMENDED:	$927,195
BOND VOLUME REQUESTED:	$18,395,013
BOND VOLUME RECOMMENDED:	$18,395,013
DEVELOPMENT FUND REQUESTED:	$0
DEVELOPMENT FUND RECOMMENDED:	$0
APPLICANT NUMBER:	2019A-B-020
BIN NUMBER:	IN-20-02500
DEVELOPMENT FUND LOAN NUMBER:	N/A
SELF SCORE:	56
IHCDA SCORE:	59.5

EXHIBIT B

Indiana Housing First Grant Reallocation Policy

Definitions

Grant Cycle: A period of two years beginning with the award date

Unclaimed Funds: Funds that were allocated to a specific subrecipient and were not claimed by the subrecipient during the grant cycle or funds that were allocated to IHCDA's administrative costs that were remaining in the administrative category and not used by IHCDA

Procedure to Re-allocate Funds

At any point during a grant cycle, IHCDA may require any organization that is not meeting the benchmarks defined in its award agreement to provide IHCDA with a spend-down plan for unclaimed funds remaining on its Housing First award. Spend-down plans must be completed on a standard form provided by IHCDA and must include information regarding anticipated monthly expenditures for housing costs, supportive services costs and administrative costs. IHCDA will review all spend-down plans to verify that planned expenditures are reasonable when compared to the organization's claims history and proposed goals for number of households served.

If IHCDA determines that an organization's spend-down plan is insufficient to expend the total award amount within the term of the award agreement, IHCDA may offer the organization a three-month extension to its award period and/or may de-allocate the portion of the award that is not expected to be spent. If an organization fails to provide a spend-down plan when requested, IHCDA will review the organization's claim history to determine if the organization is on track to expend its full award amount. Any organization that does not submit the required spend-down plan when requested is not eligible for an award extension but and have a portion of its award de-allocated. IHCDA will provide notifications of any award de-allocation via email with a letter stating the amount by which the award has been reduced. If IHCDA chooses to allow a grant extension, IHCDA will provide notification via email with a letter stating the new grant end date and benchmarks that must be met during the extended time.

Housing First funds de-allocated through this process may be added to the total available award amount under the next Housing First RFP or may be re-allocated to another organization or organizations that has Housing First awards that have met award benchmarks. Such reallocations will follow this policy and will be approved by IHCDA's Executive Team through its delegated authority.

EXHIBIT C

<u>HOME Tenant Based Rental Assistance Grant Reallocation Policy</u>

<u>Definitions</u>

Grant Cycle: A period of two years beginning with the award date

Unclaimed Funds: Funds that were allocated to a specific subrecipient and were not claimed by the subrecipient during the grant cycle or funds that were allocated to IHCDA's administrative costs that were remaining in the administrative category and not used by IHCDA

<u>Procedure to Re-allocate Funds</u>

At any point during a grant cycle, IHCDA may require any organization that is not meeting the benchmarks defined in its award agreement to provide IHCDA with a spend-down plan for unclaimed funds remaining on its HOME TBRA award. Spend-down plans must be completed on a standard form provided by IHCDA and must include information regarding anticipated monthly expenditures for housing costs, supportive services costs and administrative costs. IHCDA will review all spend-down plans to verify that planned expenditures are reasonable when compared to the organization's claims history and proposed goals for number of households served.

If IHCDA determines that an organization's spend-down plan is insufficient to expend the total award amount within the term of the award agreement, IHCDA may offer the organization a three-month extension to its award period and/or de-allocate the portion of the award that is not expected to be spent. If an organization fails to provide a spend-down plan when requested, IHCDA will review the organization's claim history to determine if it is on track to expend its full award amount. Any organization that does not submit the required spend-down plan when requested is not eligible for an award extension and may have a portion of its award de-allocated. IHCDA will provide notifications of any award de-allocation via email with a letter stating the amount by which the award has been reduced. If IHCDA chooses to allow a grant extension, IHCDA will provide notification via email with a letter stating the new grant end date and benchmarks that must be met during the extended time.

HOME TBRA funds de-allocated through this process may be added to the total available award amount under the next HOME TBRA RFP or may be re-allocated to another organization or organizations that have HOME TBRA awards that have met award benchmarks. Such reallocations will follow this policy and will be approved by IHCDA's Executive Team through its delegated authority.

Exhibit D

ihcda

Indiana Housing & Community Development Authority

A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2019

Indiana Housing and Community Development Authority

A Component Unit of the State of Indiana
December 31, 2019

Contents

BKD
CPAs & Advisors

201 N. Illinois Street, Suite 700 | P.O. Box 44998 | Indianapolis, IN 46244-0998
317.383.4000 | Fax 317.383.4200 | bkd.com

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Indiana Housing and Community Development Authority (Authority), a component unit of the State of Indiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2019, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2019 beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of the Authority's proportionate share of the net pension liability and the Authority's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, including the combining schedule of net position, combining schedule of revenues, expenses and changes in net position and combining schedule of cash flows, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated April 16, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BKD, LLP

Indianapolis, Indiana
April 16, 2020

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, 2019

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, 2019. 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, which follow this section.

Overview of the Financial Statements

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

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

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

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

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

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

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2019

Financial Highlights

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

	2019 As Restated [(1)]	2018	Change	% Change
Assets and Deferred Outflows of Resources				
Current Assets				
Cash and cash equivalents				
Unrestricted	$ 82,683,384	$ 87,820,025	$ (5,136,641)	-6%
Restricted	130,482,237	160,517,988	(30,035,751)	-19%
Accrued interest receivable				
Investments	614,851	782,345	(167,494)	-21%
Investments held against bonds	1,636,488	1,448,254	188,234	13%
Accounts and loan receivable, net	29,163,355	26,706,304	2,457,051	9%
Other assets	732,427	1,026,257	(293,830)	-29%
Total current assets	245,312,742	278,301,173	(32,988,431)	-12%
Noncurrent Assets				
Investments				
Unrestricted	139,385,256	126,777,146	12,608,110	10%
Restricted	31,194,379	18,373,838	12,820,541	70%
Investments held against bonds	553,307,036	475,729,508	77,577,528	16%
Accounts and loans receivable, net	88,535,010	90,486,577	(1,951,567)	-2%
Capital assets, at cost, less accumulated depreciation	1,932,866	2,462,377	(529,511)	-22%
Total noncurrent assets	814,354,547	713,829,446	100,525,101	14%
Total assets	1,059,667,289	992,130,619	67,536,670	7%
Deferred Outflows of Resources				
Pension-related	566,728	519,514	47,214	9%
Accumulated decrease in fair value of derivative	1,506,830	9,213	1,497,617	16255%
Deferred refunding costs	1,665,260	2,068,404	(403,144)	-19%
Total deferred outflows of resources	3,738,818	2,597,131	1,141,687	44%
Total assets and deferred outflows of resources	$ 1,063,406,107	$ 994,727,750	$ 68,678,357	7%
Liabilities, Deferred Inflows of Resources and Net Position				
Current Liabilities				
Bonds payable	$ 12,945,000	$ 10,965,000	$ 1,980,000	18%
Accrued interest payable	5,680,928	4,370,562	1,310,366	30%
Unearned revenue	34,476,408	58,709,833	(24,233,425)	-41%
Government advances	589,629	-	589,629	0%
Capital lease liability	92,564	87,021	5,543	6%
Accounts payable and other liabilities	13,608,128	8,833,283	4,774,845	54%
Total current liabilities	67,392,657	82,965,699	(15,573,042)	-19%
Noncurrent Liabilities				
Bonds payable	509,028,522	455,135,468	53,893,054	12%
Original issue premium	9,050,381	7,488,601	1,561,780	21%
Bonds payable, net	518,078,903	462,624,069	55,454,834	12%
Notes payable	1,692,476	1,765,049	(72,573)	-4%
Derivative instrument - interest rate swap agreements	1,506,830	9,213	1,497,617	16255%
Pension liability	3,381,741	3,339,635	42,106	1%
Government advances	31,679,065	-	31,679,065	0%
Capital lease liability	267,337	359,901	(92,564)	-26%
Total noncurrent liabilities	556,606,352	468,097,867	88,508,485	19%
Total liabilities	623,999,009	551,063,566	72,935,443	13%
Deferred Inflows of Resources				
Pension-related	542,452	706,019	(163,567)	-23%
Net Position				
Net investment in capital assets	1,572,965	2,015,455	(442,490)	-22%
Restricted	220,310,309	229,732,480	(9,422,171)	-4%
Unrestricted	216,981,372	211,210,230	5,771,142	3%
Total net position	438,864,646	442,958,165	(4,093,519)	-1%
Total liabilities, deferred inflows of resources and net position	$ 1,063,406,107	$ 994,727,750	$ 68,678,357	7%

[(1)] - The prior period restatement is reflected as of January 1, 2019. See Note 3 for further information.

Total assets and deferred outflows of resources increased by $68.7 million or 7 percent. The primary reason for this was related to the increase in noncurrent investments held against bonds of $77.6 million, which increased lendable proceeds and provided funding for down payment assistance. There were also increases in noncurrent investments of $25.4 million, current and noncurrent net accounts and loans receivable of $0.5 million. The remainder $0.4 million was attributable to the effects of the change in Capital and Other Assets between years. These increases were offset by a net decrease in cash and cash equivalents of $35.2 million.

The deferred outflows of resources increased $1.1 million due to the increase created by the adjustment in the fair value of the 2017 Series B-3 and 2017 Series C-3 interest rate swaps of $1.5 million, offset by the amortization of the deferred refunding costs of $0.4 million.

Total liabilities increased $72.9 million. Noncurrent liabilities increased $88.5 million due primarily to the prior period restatement that added additional noncurrent liabilities of $31.2 million, as well as new issuances of bonds payable. Current liabilities decreased $15.6 million primarily due to a decrease in program unearned revenue of $24.2 million, offset by an increase in accounts payable and other liabilities of $4.8 million, increase in bonds payable of $2.0 million, and an increase in accrued interest payable of $1.3 million.

Total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $438.9 million at December 31, 2019. This decreased $4.1 million between years.

Total net position at December 31, 2019 and 2018 was as follows (in millions of dollars):

	2019 As Restated [1]	2018
Assets and deferred outflows of resources	$ 1,063.4	$ 994.7
Liabilities and deferred inflows of resources	624.5	551.8
Net position	$ 438.9	$ 442.9

[1] – The prior period restatement is reflected as of January 1, 2019. See Note 3 for further information.

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis (Unaudited)
December 31, 2019

Operating Analysis

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

	2019 As Restated [1]	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 9,211,243	$ 8,568,653	$ 642,590	7%
Investments held against bonds	19,810,825	17,226,613	2,584,212	15%
Loans	1,051,990	914,969	137,021	15%
Fee income	5,046,064	5,004,044	42,020	1%
Program income	377,950,395	404,770,624	(26,820,229)	-7%
Gain on sale of Next Home investments	5,275,676	8,207,168	(2,931,492)	-36%
Net increase (decrease) in fair value of investments	19,907,400	(10,291,743)	30,199,143	-293%
Other income	546,105	317,853	228,252	72%
Total revenues	438,799,698	434,718,181	4,081,517	1%
Expenses				
Investment expense (down payment assistance)	8,164,116	9,435,171	(1,271,055)	-13%
Loss on sale of investments	1,599,906	2,035,236	(435,330)	-21%
Interest expense	15,987,014	14,271,589	1,715,425	12%
Issuance costs	1,209,470	820,251	389,219	47%
Program expenses	360,162,344	383,152,564	(22,990,220)	-6%
General and administrative expenses	20,249,725	21,150,272	(900,547)	-4%
Total expenses	407,372,575	430,865,083	(23,492,508)	-5%
Change in Net Position	31,427,123	3,853,098	27,574,025	716%
Net Position, Beginning of Year, as previously reported	442,958,165	439,105,067	3,853,098	1%
Prior Period Restatement	(35,520,642)	-	(35,520,642)	0%
Net Position, Beginning of Year, as restated	407,437,523	439,105,067	(31,667,544)	-7%
Net Position, End of Year	$ 438,864,646	$ 442,958,165	$ (4,093,519)	-1%

(1) - The prior period restatement is reflected as of January 1, 2019. See Note 3 for further information.

In 2019, total operating revenues were $438.8 million. This was comprised of federal and state program income of $378.0 million, interest income of $30.1 million, gains on the sale of Next Home mortgages and investments of $5.3 million, a net increase in the fair value of investments of $19.9 million, and $5.5 million in fee and other income. This compares to $434.7 million of total operating revenues in 2018. The overall increase in revenue of $4.1 million is mostly due to a net increase in fair value of investments of $30.2 million, offset by the decrease in program income of $26.8 million. Program income decreased related to the Low-Income Home Energy Assistance Program in the amount of $23.1 million. In addition, there was an increase in interest income of $3.4 million and other income of $0.2 million, offset by the decrease between years in gain on the sale of Next Home investments of $2.9 million.

Total operating expenses in 2019 were $407.4 million, which includes $360.2 million of federal and state program expenses, $16.0 million of interest expense on bonds, $20.2 million of general and administrative expense, $8.2 million in down payment assistance, $1.2 million in issuance costs and $1.6 million loss on the sale of investments.

This compares to $430.9 million of total operating expenses in 2018. The overall decrease of $23.5 million was primarily due to the decrease of $23.0 million in program expense between the years, which correlated to the decrease in program income. The program expense decrease was primarily attributable to the Low-Income Home Energy Assistance Program of $22.8 million. Investment expense (down payment assistance) also decreased by $1.3 million. Likewise, loss on sale of investments decreased by $0.4 million. General and administrative costs also decreased $0.9 million, primarily due to combined reductions in the IHCDA General Fund and Program Fund. There were increases in both interest expense of $1.7 million and issuance costs of $0.4 million.

Total operating income/change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 438.8	$ 434.7
Operating expenses	407.4	430.9
Operating income/change in net position	$ 31.4	$ 3.8

Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) requires the Authority's investments to be reported at fair value. The change in the fair value of investments is an unrealized gain or loss and has no direct effect on actual cash flows of the Authority. The related adjustment should be tempered with the understanding that the underlying assets primarily are not readily marketable due to their relationship with the bond indentures. The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net increase of $19.9 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2019 was $11.5 million, resulting in a net decrease in the change in net position of $2.6 million between years.

	2019	2018	Change	% Change
Change in net position	$ 31,427,123	$ 3,853,098	$ 27,574,025	716%
Net increase (decrease) in fair value of investments	19,907,400	(10,291,743)	30,199,143	-293%
Change in net position excluding GASB No. 31 adjustment	$ 11,519,723	$ 14,144,841	$ (2,625,118)	-19%

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

	2019	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 3,346,088	$ 2,983,390	$ 362,698	12%
Fee income	5,044,564	5,004,044	40,520	1%
Gain on sale of investments	5,131,058	8,205,645	(3,074,587)	-37%
Net increase (decrease) in fair value of investments	445,233	(444,813)	890,046	-200%
Other income	546,105	317,853	228,252	72%
Total revenues	14,513,048	16,066,119	(1,553,071)	-10%
Expenses				
Investment expense (down payment assistance)	3,583,200	5,091,652	(1,508,452)	-30%
Loss on sale of investments	342,725	384,727	(42,002)	-11%
Interest expense	25,226	15,441	9,785	63%
Program expenses	60,196	232,060	(171,864)	-74%
General and administrative expenses	6,491,525	6,895,777	(404,252)	-6%
Total expenses	10,502,872	12,619,657	(2,116,785)	-17%
Operating Income	4,010,176	3,446,462	563,714	16%
Transfers				
Interfund transfers	(317,615)	3,986,170	(4,303,785)	-108%
Change in Net Position	3,692,561	7,432,632	(3,740,071)	-50%
Net Position, Beginning of Year	104,498,969	97,066,337	7,432,632	8%
Net Position, End of Year	$ 108,191,530	$ 104,498,969	$ 3,692,561	4%

In 2019, total operating revenues for the General Fund were $14.5 million. This was comprised of gains on the sale of Next Home investments of $5.1 million, interest income of $3.3 million, $5.6 million in fees and other income, and an increase in the fair value of investments of $0.5 million. This compares to $16.1 million of total operating revenues in 2018. The overall decrease in revenue of $1.6 million is mostly attributable to the decrease in the gains on the sales of Next Home mortgages of $3.1 million, offset by the increase in the fair value of investments of $0.9 million, other income of $0.2 million consisting of multi-family bonds reservations, and interest income of $0.4 million.

Total operating expenses for the General Fund in 2019 were $10.5 million, which includes $3.6 million in down payment assistance, $6.5 million of general and administrative expenses, $0.3 million in loss on sale of investments, and $0.1 million in program expenses. This compares to $12.6 million of total operating expenses in 2018. Total operating expenses decreased by $2.1 million, due to a decrease between years of $1.5 million in down payment assistance volume and a decrease in general and administrative expenses of $0.4 million. There was a lower need for program repayment and disaster assistance netting to a decrease in that area of $0.2 million between years.

There were $0.3 million in inter-fund transfers into the General Fund in 2019 and $4.0 million in 2018 from the Single Family Fund.

Total General Fund change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 14.5	$ 16.1
Operating expenses	10.5	12.6
Operating income	4.0	3.5
Interfund transfers	(0.3)	4.0
Change in net position	$ 3.7	$ 7.5

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 increase of $0.4 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2019 was $3.2 million resulting in a net decrease in the change in net position of $4.6 million between years. The decrease between years is attributable to the $4.0 million inter-fund transfer to the General Fund from the Single-Family Fund for the Honor Our Veterans new program initiative in 2018 combined with the effect of the change in fair value of investments.

	2019	2018	Change	% Change
Change in net position	$ 3,692,561	$ 7,432,632	$ (3,740,071)	-50%
Net increase (decrease) in fair value of investments	445,233	(444,813)	890,046	-200%
Change in net position without GASB No. 31 adjustment	$ 3,247,328	$ 7,877,445	$ (4,630,117)	-59%

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

	2019 As Restated [1]	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 219,480	$ 31,835	$ 187,645	589%
Loans	1,051,990	914,969	137,021	15%
Fee income	1,500	-	1,500	100%
Program income	377,950,395	404,770,624	(26,820,229)	-7%
Total revenues	379,223,365	405,717,428	(26,494,063)	-7%
Expenses				
Interest expense	17,625	18,690	(1,065)	-6%
Program expenses	360,089,409	382,920,504	(22,831,095)	-6%
General and administrative expenses	12,451,040	13,077,392	(626,352)	-5%
Total expenses	372,558,074	396,016,586	(23,458,512)	-6%
Operating Income	6,665,291	9,700,842	(3,035,551)	-31%
Transfers				
Interfund transfers	317,615	13,830	303,785	2197%
Change in Net Position	6,982,906	9,714,672	(2,731,766)	-28%
Net Position, Beginning of Year, as previously reported	163,444,905	153,730,233	9,714,672	6%
Prior Period Restatement	(35,520,642)	-	(35,520,642)	0%
Net Position, Beginning of Year, as restated	127,924,263	153,730,233	(25,805,970)	-17%
Net Position, End of Year	$ 134,907,169	$ 163,444,905	$ (28,537,736)	-17%

[1] – The prior period restatement is reflected as of January 1, 2019. See Note 3 for further information.

In 2019, total operating revenues for the Program Fund were $379.2 million. This was primarily comprised of federal and state program revenues of $378.0 million. This compares to $405.7 million of total operating revenues in 2018. The overall decrease in revenue of $26.5 million is primarily related to the decrease in the program income of $26.8 million. The program income decrease is mostly attributable to the Low-Income Home Energy Assistance Program of $24.7 million, the Community Development Block Grant-Disaster Program of $6.1 million, Home Investment Partnerships Program of $1.8 million, and the Neighborhood Stabilization Program of $1.4 million, offset by increases in Performance Based Contract Admin of $4.2 million, the Weatherization Assistance for Low-Income Persons Program of $2.2 million, and the Hardest Hit Fund Program of $0.8 million.

Total operating expenses for the Program Fund in 2019 were $372.6 million, which includes $360.1 million in program expenses, and $12.5 million of general and administrative expense. This compares to $396.0 million of total operating expenses in 2018. Total operating expenses decreased by $23.5 million, which primarily consists of decreases in program expense of $22.8 million and general and administrative expense of $0.6 million. This decrease in program expense correlates to the decrease in the discussion on program income.

Total Program Fund change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 379.2	$ 405.7
Operating expenses	372.6	396.0
Operating income	6.6	9.7
Interfund transfers	0.3	-
Change in net position	$ 6.9	$ 9.7

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

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

	2019	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 4,852,170	$ 4,917,500	$ (65,330)	-1%
Investments held against bonds	13,040,675	9,032,243	4,008,432	44%
Gain on sale of investments	144,618	1,523	143,095	9396%
Net increase (decrease) in fair value of investments	14,301,737	(4,141,387)	18,443,124	-445%
Total revenues	32,339,200	9,809,879	22,529,321	230%
Expenses				
Investment expense (down payment assistance)	4,580,916	4,343,519	237,397	5%
Loss on sale of investments	1,164,365	1,426,693	(262,328)	-18%
Interest expense	10,092,584	7,392,015	2,700,569	37%
Issuance costs	1,209,470	820,251	389,219	47%
Program expenses	12,739	-	12,739	0%
General and administrative expenses	962,621	804,048	158,573	20%
Total expenses	18,022,695	14,786,526	3,236,169	22%
Operating Income (Loss)	14,316,505	(4,976,647)	19,293,152	-388%
Transfers				
Interfund transfers	274,322	(3,664,003)	3,938,325	-107%
Change in Net Position	14,590,827	(8,640,650)	23,231,477	-269%
Net Position, Beginning of Year	143,701,215	152,341,865	(8,640,650)	-6%
Net Position, End of Year	$ 158,292,042	$ 143,701,215	$ 14,590,827	10%

In 2019, total operating revenues for the Single Family Fund were $32.3 million, which consists of interest income of $17.9 million and the impact of the GASB No. 31 adjustment to mark the investments to market of $14.3 million. This compares to $9.8 million of total operating revenues in 2018. The overall increase in revenue of $22.5 million is primarily related to the positive impact of the GASB No. 31 adjustment of $18.4 million, as well as an increase in investments held against bonds of $4.0 million and gain on sale of investments of $0.1 million.

Total operating expenses for the Single Family Fund in 2019 were $18.0 million, which includes $10.1 million in interest expenses, $4.6 million in down payment assistance, $1.2 million in bond issuance costs, $1.2 million in loss on sale of investments, and $0.9 million of general and administrative expense. This compares to $14.8 million of total operating expenses in 2018. Total operating expenses increased by $3.2 million, which correlates primarily to the $2.7 million in interest expense, bond issuance costs of $0.4 million, down payment assistance of $0.2 million, general and administrative expenses of $0.2 million, offset by a decrease in loss on sale of investments of $0.3 million.

There were $0.3 million in inter-fund transfers out of the Single Family Fund in 2019, while there were $3.7 million in inter-fund transfers into the fund in 2018. The inter-fund transfer included $4.0 million from the IHCDA Single Family Fund to the General Fund for the Honor Our Veterans new program initiative.

Total Single Family Fund change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 32.3	$ 9.8
Operating expenses	18.0	14.8
Operating income	14.3	(5.0)
Interfund transfers	0.3	(3.7)
Change in net position	$ 14.6	$ (8.7)

The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net increase of $14.3 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2019 was $0.3 million resulting in a net increase in the change in net position of $4.8 million between years. The increase between years is attributable to the $4.0 million inter-fund transfer from the IHCDA Single Family Fund to the General Fund for the Honor Our Veterans new program initiative in 2018 as well as the combined effect of the change in fair value of investments.

	2019	2018	Change	% Change
Change in net position	$ 14,590,827	$ (8,640,650)	$ 23,231,477	-269%
Net increase (decrease) in fair value of investments	14,301,737	(4,141,387)	18,443,124	-445%
Change in net position without GASB No. 31 adjustment	$ 289,090	$ (4,499,263)	$ 4,788,353	-106%

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

	2019	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 793,012	$ 635,928	$ 157,084	25%
Investments held against bonds	3,839,652	4,677,200	(837,548)	-18%
Net increase (decrease) in fair value of investments	3,830,107	(2,857,013)	6,687,120	-234%
Total revenues	8,462,771	2,456,115	6,006,656	245%
Expenses				
Loss on sale of investments	92,816	223,816	(131,000)	100%
Interest expense	3,108,667	3,662,837	(554,170)	-15%
General and administrative expenses	332,539	362,357	(29,818)	-8%
Total expenses	3,534,022	4,249,010	(714,988)	-17%
Change in Net Position	4,928,749	(1,792,895)	6,721,644	-375%
Net Position, Beginning of Year	28,202,346	29,995,241	(1,792,895)	-6%
Net Position, End of Year	$ 33,131,095	$ 28,202,346	$ 4,928,749	17%

In 2019, total operating revenues for the Home First Fund were $8.5 million, which consists of interest income of $4.6 million and the impact of the GASB No.31 adjustment to mark the investments to market of $3.8 million. This compares to $2.5 million of total operating revenues in 2018. The overall increase in revenue of $6.0 million is related primarily to the impact of the GASB No. 31 adjustment of $6.7 million offset by the reduced interest income of $0.7 million, which correlates to the reduction in investments held against bonds.

Total operating expenses for the Home First Fund in 2019 were $3.5 million, which includes $3.1 million in interest expenses, $0.3 million of general and administrative expense, and $0.1 million in loss on sale of investments. This compares to $4.2 million of total operating expenses in 2018. Total operating expenses decreased by $0.7 million, which correlates primarily to the reduction of interest expense on the bonds of $0.6 million and loss on sale of investments of $0.1 million.

There were no interfund transfers in 2019 or 2018.

Total Home First Fund change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 8.5	$ 2.5
Operating expenses	3.5	4.2
Change in net position	$ 5.0	$ (1.7)

The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net increase of $3.8 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2019 was near breakeven resulting in a minimal net increase in the change in net position between years.

	2019	2018	Change	% Change
Change in net position	$ 4,928,749	$ (1,792,895)	$ 6,721,644	-375%
Net increase (decrease) in fair value of investments	3,830,107	(2,857,013)	6,687,120	-234%
Change in net position without GASB No. 31 adjustment	$ 1,098,642	$ 1,064,118	$ 34,524	3%

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

	2019	2018	Change	% Change
Revenues				
Interest income				
Investments	$ 493	$ -	$ 493	0%
Investments held against bonds	2,930,498	3,517,170	(586,672)	-17%
Net increase (decrease) in fair value of investments	1,330,323	(2,848,530)	4,178,853	-147%
Total revenues	4,261,314	668,640	3,592,674	537%
Expenses				
Interest expense	2,742,912	3,182,606	(439,694)	-14%
General and administrative expenses	12,000	10,698	1,302	12%
Total expenses	2,754,912	3,193,304	(438,392)	-14%
Operating Income (Loss)	1,506,402	(2,524,664)	4,031,066	-160%
Transfers				
Interfund transfers	(274,322)	(335,997)	61,675	-18%
Change in Net Position	1,232,080	(2,860,661)	4,092,741	-143%
Net Position, Beginning of Year	3,110,730	5,971,391	(2,860,661)	-48%
Net Position, End of Year	$ 4,342,810	$ 3,110,730	$ 1,232,080	40%

In 2019, total operating revenues for the MBS Pass-Thru Fund were $4.3 million, which consists of interest income of $2.9 million and the impact of the GASB No. 31 adjustment to mark the investments to market of $1.3 million. This compares to $0.7 million of total operating revenues in 2018. The overall increase in revenue of $3.6 million is related to the combined impact of the positive GASB No. 31 adjustment of $4.2 million, offset by the decreased interest income relative to the pay down of investments for a decrease of $0.6 million.

Total operating expenses for the MBS Pass-Thru Fund in 2019 were $2.8 million, which is primarily the $2.7 million in interest expenses. General and administrative expenses were negligible. This compares to $3.2 million of total operating expenses in 2018. Total operating expenses decreased by $0.4 million, which correlates primarily to the reduction of interest expense on the bonds.

There were $0.3 million inter-fund transfers out of the MBS Pass-Thru Fund in 2019 and 2018.

Total MBS Pass-Thru Fund change in net position for 2019 and 2018 was as follows (in millions of dollars):

	2019	2018
Operating revenues, gains and losses	$ 4.3	$ 0.7
Operating expenses	2.8	3.2
Operating income	1.5	(2.5)
Interfund transfers	(0.3)	(0.3)
Change in net position	$ 1.2	$ (2.8)

The change in net position is shown both with and without the GASB No. 31 adjustment below. In the current year, there was a net increase of $1.3 million in the net fair value of investments held at year end. Without the GASB No. 31 adjustment, the change in net position for 2019 was a negative $0.1 million resulting in a net decrease in the change in net position of $0.1 million between years.

	2019	2018	Change	% Change
Change in net position	$ 1,232,080	$ (2,860,661)	$ 4,092,741	-143%
Net increase (decrease) in fair value of investments	1,330,323	(2,848,530)	4,178,853	-147%
Change in net position without GASB No. 31 adjustment	$ (98,243)	$ (12,131)	$ (86,112)	710%

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, 2019, consisted of $252.6 million restricted by funding sources, $217.0 million unrestricted and available to meet the obligations of the Authority's operations, and $1.6 million net investment in capital assets. Restricted net position increased $22.8 million or 10 percent, unrestricted net position increased $5.8 million or 3 percent, and the net investment in capital assets decreased $0.4 million or 22 percent from the prior year end.

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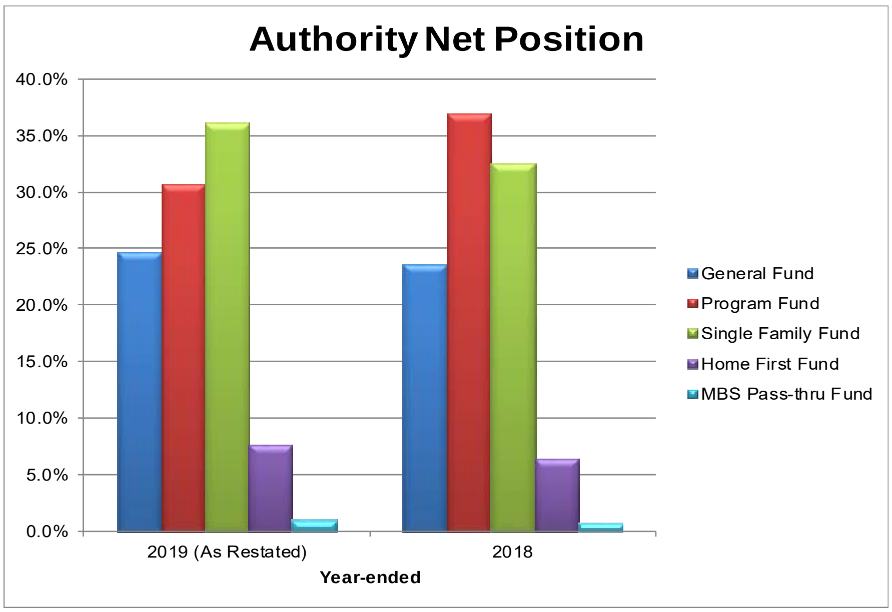
Management's Discussion and Analysis (Unaudited)
December 31, 2019

The increase of $22.8 million in restricted net position was primarily due to the increase in Single Family bond indentures of $24.1 million, MBS Pass-thru Fund of $1.2 million, and Home First Fund of $4.9 million, offset by reductions for the Federal Programs Fund of $7.4 million. The $5.8 million change in unrestricted net position was due to the increase in unrestricted assets for the General Fund of $4.2 million and Federal Programs of $11.1 million, offset by the decrease in the Single-Family indenture of $9.5 million.

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



Capital Assets

As of December 31, 2019 and 2018, the Authority had $1.9 million and $2.5 million, respectively, invested in capital assets, primarily computer software and hardware. During 2019 and 2018, the Authority had purchases of $0.1 million and $1.2 million, respectively, and depreciation expense of $0.7 million and $0.7 million, respectively.

Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium or discount, as of December 31, 2019, was $522.0 million, which increased $55.9 million compared to $466.1 million as of December 31, 2018. This increase was due to the $46.4 million of maturities and redemptions of bonds previously issued by the Authority, offset against the $102.3 million in mortgage revenue bond issuances in 2019. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch Ratings. (The Home First Bond Indenture is only rated by Moody's and the MBS Pass-Thru Indenture is only rated by Fitch.) More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following new bonds were issued during 2019 (dollars in thousands):

Bond Series	Tax-Exempt Amount	Taxable Amount	Total	Moody's Rating	Fitch Rating
2019 Series A	$ 48,780	$ -	$ 48,780	Aaa	AAA
2019 Series B	53,475	-	53,475	Aaa	AAA
Total	$ 102,255	$ -	$ 102,255		

Economic Factors and Other Financial Information

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

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

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Indiana, our constituents and investors with a general overview of the Authority's finances and resources. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Indiana Housing and Community Development Authority, 30 South Meridian Street Suite 900, Indianapolis, IN 46204 or visit our website at www.in.gov/ihcda/.

BASIC FINANCIAL STATEMENTS

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position
December 31, 2019

	2019
Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	
Unrestricted	$ 82,683,384
Restricted	130,482,237
Accrued interest receivable	
Investments	614,851
Investments held against bonds	1,636,488
Accounts and loans receivable, net	29,163,355
Other assets	732,427
Total current assets	245,312,742
Noncurrent Assets	
Investments	
Unrestricted	139,385,256
Restricted	31,194,379
Investments held against bonds	553,307,036
Accounts and loans receivable, net	88,535,010
Capital assets, at cost, less accumulated depreciation	1,932,866
Total noncurrent assets	814,354,547
Total assets	1,059,667,289
Deferred Outflows of Resources	
Pension-related	566,728
Accumulated decrease in fair value of derivatives	1,506,830
Deferred refunding costs	1,665,260
Total deferred outflows of resources	3,738,818
Total assets and deferred outflows of resources	$ 1,063,406,107

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Net Position (Continued)
December 31, 2019

		2019
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Bonds payable	$	12,945,000
Accrued interest payable		5,680,928
Unearned revenue		34,476,408
Government advances		589,629
Capital lease liability		92,564
Accounts payable and other liabilities		13,608,128
Total current liabilities		67,392,657
Noncurrent Liabilities		
Bonds payable		509,028,522
Original issue premium		9,050,381
Bonds payable, net		518,078,903
Notes payable		1,692,476
Derivative instruments - interest rate swap agreements		1,506,830
Pension liability		3,381,741
Government advances		31,679,065
Capital lease liability		267,337
Total noncurrent liabilities		556,606,352
Total liabilities		623,999,009
Deferred Inflows of Resources		
Pension-related		542,452
Net Position		
Net investment in capital assets		1,572,965
Restricted		
Program fund		121,538,274
Single Family fund		61,298,130
Home First fund		33,131,095
MBS Pass-thru fund		4,342,810
Total restricted net position		220,310,309
Unrestricted		216,981,372
Total net position		438,864,646
Total liabilities, deferred inflows of resources and net position	$	1,063,406,107

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, 2019

Revenues	
Interest income	
Investments	$ 9,211,243
Investments held against bonds	19,810,825
Loans	1,051,990
Fee income	5,046,064
Program income	377,950,395
Gain on sale of Next Home investments	5,275,676
Net increase in fair value of investments	19,907,400
Other income	546,105
Total revenues	438,799,698
Expenses	
Investment expense (down payment assistance)	8,164,116
Loss on sale of investments	1,599,906
Interest expense	15,987,014
Issuance costs	1,209,470
Program expenses	360,162,344
General and administrative expenses	20,249,725
Total expenses	407,372,575
Change in Net Position	31,427,123
Net Position, Beginning of Year, as previously reported	442,958,165
Prior Period Restatement	(35,520,642)
Net Position, Beginning of Year, as restated	407,437,523
Net Position, End of Year	$ 438,864,646

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows
Year Ended December 31, 2019

	2019
Cash Flows From Operating Activities	
Receipts for services	$ 12,033,688
Receipts for program revenue	349,178,935
Principal received on loans receivable	6,008
Interest received on investments	9,378,737
Interest received on investments held against bonds	18,445,606
Interest received on loans	1,051,990
Payments for program expenses	(368,388,431)
Interest paid on bonds and bank loans	(14,273,504)
Debt issuance costs incurred	(1,209,470)
Investment expense	(4,580,916)
Payments for suppliers and employees	(10,343,178)
Net cash used in operating activities	(8,700,535)
Cash Flows From Non-Capital and Related Financing Activities	
Proceeds from bond issues	104,993,765
Repayments and redemption of bonds and bank loans	(46,454,519)
Net cash provided by non-capital and related financing activities	58,539,246
Cash Flows From Capital and Related Financing Activities	
Purchases of capital assets	(127,980)
Payments on capital lease	(87,021)
Net cash used in capital and related financing activities	(215,001)
Cash Flows From Investing Activities	
Proceeds from sale and maturities of investments	115,012,758
Principal received on investments held against bonds	64,118,643
Purchases of investments held against bonds	(122,234,004)
Purchase of investments	(141,451,464)
Purchase of DPA loans	(242,035)
Net cash used in investing activities	(84,796,102)
Net Decrease in Cash and Cash Equivalents	(35,172,392)
Cash and Cash Equivalents, January 1	248,338,013
Cash and Cash Equivalents, December 31	$ 213,165,621
Cash and Cash Equivalents	
Cash	$ 107,318,961
Money market investments	105,846,660
Total cash and cash equivalents	$ 213,165,621

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Statement of Cash Flows (Continued)
Year Ended December 31, 2019

		2019
Reconciliation of Change in Net Position to Net Cash Used in Operating Activities:		
Change in net position	$	31,427,123
Adjustment to reconcile change in net position to net cash used in operating activities:		
Net decrease in fair value of investments		(19,907,400)
Loss on sale of investments		1,455,288
Depreciation		657,491
Amortization of bond premium/discount		(1,176,985)
Changes in operating assets and liabilities:		
Accounts and loan receivable		(263,449)
Accrued interest receivable		(20,740)
Other assets		293,830
Deferred pension costs		(47,214)
Deferred refunding costs		403,144
Unearned revenue		(28,080,897)
Accounts payable and other liabilities		4,774,845
Accrued interest payable		1,310,366
Net pension liability		42,106
Deferred pension revenue		(163,567)
Government advances		595,524
Total adjustments		(40,127,658)
Net cash used in operating activities	$	(8,700,535)

Note 1: Authorizing Legislation and Funds

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

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

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

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

General Fund

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

Program Fund

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

Single Family, Home First and Mortgage-Backed Securities Pass-Thru Funds

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

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

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

Note 2: Summary of Significant Accounting Policies

Basis of Presentation

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

Measurement Focus and Basis of Accounting

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

Use of Estimates

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

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of net position.

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, 2019:

	Total Assets and Deferred Outflows of Resources	
	Fair Value	Cost
General Fund	$ 115,607,507	$ 116,139,913
Program Fund	213,749,357	213,749,357
Single Family Fund	537,214,886	520,092,021
Home First Fund	128,525,076	125,336,819
MBS Pass-thru Fund	68,309,281	64,099,547
Total assets and deferred outflows of resources	$ 1,063,406,107	$ 1,039,417,657

	Net Position	
	Fair Value	Cost
General Fund	$ 108,191,530	$ 108,723,936
Program Fund	134,907,169	134,907,169
Single Family Fund	158,292,042	141,169,177
Home First Fund	33,131,095	29,942,838
MBS Pass-thru Fund	4,342,810	133,076
Total net position	$ 438,864,646	$ 414,876,196

	Operating Income Fair Value	Operating Income Cost
General Fund	$ 4,010,176	$ 3,564,943
Program Fund	6,665,291	6,665,291
Single Family Fund	14,316,505	14,768
Home First Fund	4,928,749	1,098,642
MBS Pass-thru Fund	1,506,402	176,079
Total operating income	$ 31,427,123	$ 11,519,723

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 interfund receivable and payable balances are recorded on the statement of net position at the end of the year.

Capital Assets

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

A summary of capital assets activity for 2019 was as follows:

	January 1, 2019	Additions	Disposals	December 31, 2019
Furniture and equipment	$ 817,101	$ -	$ -	$ 817,101
Computer software	7,493,465	127,980	-	7,621,445
Computer hardware	1,135,048	-	-	1,135,048
	9,445,614	127,980	-	9,573,594
Less accumulated depreciation	(6,983,237)	(657,491)	-	(7,640,728)
Capital assets, net	$ 2,462,377	$ (529,511)	$ -	$ 1,932,866

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 7).

Deferred Inflows of Resources

The Authority's Statement of Net Position reports a separate section for deferred inflows of resources, which reflects an increase in net assets that applies to future periods. Deferred inflows of resources are reported for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflows of resources is attributable to pension expense over a total of ten years, including the current year.

Compensated Absences

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

Risk Management

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

Unearned Revenue

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

Cost-Sharing Defined-Benefit 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 $7,448,740 at December 31, 2019, and amortization expense, which is reported as part of interest expense, was $403,143 for the year then ended.

Original Issue Premiums and Discounts

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

Net Position

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

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

Use of Restricted and Unrestricted Resources

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

Overdraws of Section 8 Housing Assistance

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

Operating Revenues

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

Program Income

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

Fee Income

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

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Allocation of Expenses Between Funds

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

Income Taxes

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

Note 3: Prior Period Adjustment

Subsequent to the issuance of the Authority's 2018 financial statements, the Authority's management determined that it incorrectly recorded certain transactions associated with its loans receivable on the Community Development Block Grant – Disasters (CDBG-D) and HOME Investment Program (HOME). Previously, the loans related to this program were recognized as revenue and recorded in net position, however, these funds are due back to the federal government if not reused for normal program expense. This resulted in the Authority moving the revenue recorded for these loans receivable from net position to liabilities.

The effect on the Authority's previously issued financial statements is summarized below:

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Unearned revenue	$ 58,709,833	$ 3,847,472	$ 62,557,305
Government advances - current	-	431,988	431,988
Government advances - noncurrent	-	31,241,182	31,241,182
Net position - restricted	229,732,480	(35,520,642)	194,211,838
Statement of Revenues, Expenses and Changes in Net Position			
Changes in net position	$ 3,853,098	$ (2,358,677)	$ 1,494,421

Note 4: Deposits and Investments

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-Thru Fund	2019 Total
Current						
Cash and cash equivalents						
Unrestricted	$ 40,006,926	$ 16,851,076	$ 25,825,382	$ -	$ -	$ 82,683,384
Restricted	200,474	82,825,048	38,149,047	9,247,027	60,641	130,482,237
Total current cash and cash equivalents	40,207,400	99,676,124	63,974,429	9,247,027	60,641	213,165,621
Noncurrent Assets						
Investments						
Unrestricted	67,832,461	-	71,552,795	-	-	139,385,256
Restricted	-	-	14,996,619	16,197,760	-	31,194,379
Investments held against bonds	-	-	384,143,152	102,759,754	66,404,130	553,307,036
Total noncurrent investments	67,832,461	-	470,692,566	118,957,514	66,404,130	723,886,671
Total cash, cash equivalents, and investments	$ 108,039,861	$ 99,676,124	$ 534,666,995	$ 128,204,541	$ 66,464,771	$ 937,052,292

Cash, cash equivalents and investments held by the Authority as of December 31, 2019 were as follows:

	Fair Value	Cost
Deposits		
Cash	$ 107,318,961	$ 107,320,045
Money market mutual funds	105,846,660	105,845,576
Investments		
Federal agency obligations	168,886,618	171,081,645
Federal agency obligations held against bonds	553,307,036	527,106,342
Municipal bonds	1,693,017	1,710,234
Total cash, cash equivalents and investments	$ 937,052,292	$ 913,063,842

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, 2019, all investments held by the Authority were in compliance with the requirements of the Indentures.

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rate. The Authority's investment policy does not restrict investment maturities. As of December 31, 2019, the Authority had the following investments and maturities (in thousands):

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Money market mutual funds	$ 105,847	$ 105,847	$ -	$ -	$ -
Federal agency obligations	168,887	494	19,930	106,373	42,090
Federal agency obligations held against bonds	553,307	-	91	3,965	549,251
Municipal bonds	1,693	10	-	-	1,683
	$ 829,734	$ 106,351	$ 20,021	$ 110,338	$ 593,024

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, 2019, 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, 2019, all of the Authority's cash was deposited in approved financial institutions.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's policy for credit risk requires compliance with the provisions of Indiana statutes. 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	$ 105,846,660
Federal agency obligations	AA+	AAA	Aaa	168,886,618
Federal agency obligations held against bonds	AA+	AAA	Aaa	553,307,036
Municipal bonds	AAA	N/A	Aaa	1,693,017
				$ 829,733,331

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	64.5%
Blackrock Federal Fund Institutional Money Market	7.7%
Small Business Administration	10.4%
Fannie Mae	6.5%

Note 5: Accounts and Loans Receivable

Accounts and loans receivable at December 31, 2019, were as follows:

General Fund:	
Loans provided to sub-recipients of certain programs	$ 59,063
Next Home ownership mortgage down payment assistance loans	8,972,372
Accounts receivable	602,554
Mortgage loans	40,239
	9,674,228
Less: allowance for uncollectible loans	(9,040,885)
	633,343
Current	(593,104)
Noncurrent	$ 40,239

Single Family Fund	
Down payment assistance loans	$ 254,774
Less: allowance for uncollectible loans	(12,739)
	$ 242,035

Program Fund:	
Reimbursements due from other governments	$ 13,370,989
Section 1602 tax credit exchange program loans	106,288,612
Tax credit assistance program loans	14,900,000
Rural rental housing loans	1,696,910
Home investment partnership program loans	16,022,800
Community development block grant loans	15,656,265
Development fund loans	58,445,284
Hardest hit fund loans	159,369,479
	385,750,339
Less: allowance for uncollectible loans	(268,927,352)
	116,822,987
Current	(28,570,251)
Noncurrent	$ 88,252,736

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

Note 6: Bonds Payable

Bonds payable at December 31, 2019, consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2016 Series A-1		
Serial bonds (2.20% to 2.55%), due 2025 - 2027	$ 8,220	$ 8,220
Term bonds (2.85%), due 2031	14,735	12,455
	22,955	20,675
2016 Series A-2		
Serial bonds (1.55% to 2.50%), due 2020 - 2025	23,565	16,735
PAC bonds (3.50%), due 2038	25,990	14,885
	49,555	31,620
2017 Series A-1		
Serial bonds (1.70% to 3.15%), due 2020 - 2028	8,510	5,940
Term bonds (2.60%), due 2026	7,355	7,355
Term bonds (3.60%), due 2032	7,755	7,755
Term bonds (3.85%), due 2035	6,380	4,425
	30,000	25,475
2017 Series A-2		
PAC bonds (4.00%), due 2039	14,070	10,330
	14,070	10,330
2017 Series B-1		
Serial bonds 1.30% to 2.75%), due 2020 - 2028	15,210	13,350
Term bonds (3.25%), due 2032	6,790	6,485
	22,000	19,835
2017 Series B-2		
PAC bonds (4.00%), due 2038	15,740	13,210
2017 Series B-3		
Term bonds (variable), due 2047	17,000	17,000
Term bonds (variable), due 2047	6,000	6,000
	23,000	23,000

Single Family Fund (Continued)	Original Amount	Balance
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	5,925
	14,295	13,280
2017 Series C-2		
Serial bonds (2.05% to 2.50%), due 2020 - 2024	7,465	6,060
PAC bonds (4.00%), due 2037	12,530	10,475
	19,995	16,535
2017 Series C-3		
Term bonds (variable), due 2047	20,705	20,705
2018 Series A		
Serial bonds (1.70% to 3.20%), due 2020 - 2029	14,480	13,910
Term bonds (3.50%), due 2033	7,530	7,530
Term bonds (3.80%), due 2038	11,495	11,495
Term bonds (3.90%), due 2043	14,625	14,625
PAC bonds (4.00%), due 2048	20,590	20,445
	68,720	68,005
2019 Series A		
Serial bonds (1.70% to 3.15%), due 2020 - 2030	11,165	11,165
Term bonds (3.50%), due 2034	5,850	5,850
Term bonds (3.85%), due 2039	9,165	9,165
Term bonds (4.00%), due 2042	6,610	6,610
PAC bonds (4.25%), due 2048	15,990	15,990
	48,780	48,780
2019 Series B		
Serial bonds (1.05% to 2.25%), due 2020 - 2032	16,240	16,240
Term bonds (2.40%), due 2034	3,420	3,420
Term bonds (2.65%), due 2039	9,835	9,835
Term bonds (2.85%), due 2042	6,135	6,135
PAC bonds (3.50%), due 2049	17,845	17,845
	53,475	53,475
Total Single Family Fund	$ 403,290	$ 364,925

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Notes to Financial Statements
December 31, 2019

Home First Fund	Original Amount	Balance
2009 Series A-3		
Term bonds (2.32%), due 2041	$ 36,000	$ 13,750
2009 Series A-4		
Term bonds (2.49%), due 2041	78,000	36,300
2009 Series A-5		
Term bonds (2.73%), due 2041	39,000	19,420
2010 Series A		
Serial bonds (3.35% to 3.55%), due 2020 - 2021	12,225	1,355
Term bonds (4.00%), due 2025	6,035	3,080
PAC bonds (4.50%), due 2028	5,740	415
	24,000	4,850
2011 Series A		
Serial bonds (3.50% to 3.625%), due 2020 - 2021	9,070	885
Term bonds (4.45%), due 2027	7,430	3,115
PAC bonds (4.50%), due 2028	7,500	595
	24,000	4,595
2011 Series B		
Serial bonds (2.95% to 4.00%), due 2020 - 2021	8,825	1,185
Term bonds (4.00%), due 2027	7,675	3,185
PAC bonds (4.00%), due 2028	7,500	475
	24,000	4,845
2011 Series C		
Serial bonds (3.20% to 5.00%), due 2020 - 2022	26,325	4,520
Term bonds (4.10%), due 2027	7,905	4,880
PAC bonds (4.50%), due 2027	12,680	1,695
	46,910	11,095
Total Home First Fund	$ 271,910	$ 94,855

MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1		
Term bonds (3.029%), due 2038	$ 73,532	$ 13,796
2013 Series 1		
Taxable term bonds (3.027%), due 2041	62,674	21,984
2013 Series 2		
Taxable term bonds (4.038%), due 2036	51,839	17,394
2014 Series 1		
Taxable term bonds (4.050%), due 2038	28,667	9,020
Total MBS Pass-Thru Fund	$ 216,712	$ 62,194
Total Bonds Payable	$ 891,912	$ 521,974

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 2017 Series B-3 bond and 2017 Series C-3 bond mature on July 1, 2047, and the interest rate is the E-Pro Daily rate (1.75% at December 31, 2019).

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2019 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
2020	$ 8,775	$ 11,014	$ 4,170	$ 2,724	$ -	$ 2,151	$ 12,945	$ 15,889
2021	9,690	10,999	4,035	2,581	-	2,151	13,725	15,731
2022	10,160	10,818	4,165	2,441	-	2,151	14,325	15,410
2023	10,655	10,656	2,730	2,299	-	2,151	13,385	15,106
2024	11,085	10,455	3,090	2,194	-	2,151	14,175	14,800
2025 - 2029	61,145	48,314	20,825	8,682	-	10,755	81,970	67,751
2030 - 2034	65,280	39,480	22,400	5,776	-	10,755	87,680	56,011
2035 - 2039	75,175	26,738	24,030	2,831	40,210	7,217	139,415	36,786
2040 - 2044	57,595	15,493	9,410	288	21,984	1,275	88,989	17,056
2045 - 2049	55,365	4,656	-	-	-	-	55,365	4,656
	364,925	188,623	94,855	29,816	62,194	40,757	521,974	259,196
Original issue premium	7,164	-	293	-	1,594	-	9,051	-
	$ 372,089	$ 188,623	$ 95,148	$ 29,816	$ 63,788	$ 40,757	$ 531,025	$ 259,196

The summary of bonds payable as of December 31, 2019 (dollars in thousands) was as follows:

Interest Rate Ranges	Maturity Range	Payment Range of Principal	Total
1.05 - 4.50%	2020-2049	$435 - $43,181	$ 521,974

Changes in Obligations

The following are changes in noncurrent liabilities of the Authority for the year ended December 31, 2019 (dollars in thousands):

	January 1, 2019	Additions	Reductions	December 31, 2019	Due Within One Year	Due Thereafter
Bonds payable	$ 466,100,468	$ 102,255,000	$ 46,381,946	$ 521,973,522	$ 12,945,000	$ 509,028,522
Premium	7,488,601	2,738,765	1,176,985	9,050,381	-	9,050,381
Note payable	1,765,049	-	72,573	1,692,476	-	1,692,476
Net pension liability	3,339,635	639,165	597,059	3,381,741	-	3,381,741
Capital lease liability	446,922	-	87,021	359,901	92,564	267,337
Government advances	31,673,170	595,524	-	32,268,694	589,629	31,679,065
Total long-term obligations	$ 510,813,845	$ 106,228,454	$ 48,315,584	$ 568,726,715	$ 13,627,193	$ 555,099,522

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

The Single Family and Home First bonds are subject to optional redemption provisions at various dates at 100 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 $46,381,946 of bonds in 2019 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, 2019, the Authority had outstanding conduit debt of $181,894,498.

Note 7: Interest Rate Swap Agreements - Hedging Derivative Instruments

The Authority entered into a swap arrangements with Bank of New York Mellon. The objective of the swap agreements is to create, with respect to the 2017 Series B-3 Bonds in an amount totaling $17,250,000, and the 2017 Series C-3 Bonds in an amount totaling $15,525,000 an approximately fixed rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are made semi-annually, on the basis of a notional principal amount and a fixed interest rate of 2.420% for 2017 Series B-3 and 2.495% for 2017 Series C-3. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the 3-Month LIBOR Swap Index.

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

Terms, Fair Value and Credit Risk: The terms, including, the fair value and credit rating of the outstanding swaps as of December 31, 2019, are as follows:

Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value	Swap Termination Date	Counterparty Credit Rating S&P/Moody's/Fitch
2017 Series B-3	$ 17,250,000	1/1/2018	2.420%	70% 3 M LIBOR	$ (660,125)	7/1/2047	AA-/Aa2/AA
2017 Series C-3	15,525,000	7/1/2018	2.495%	70% 3 M LIBOR	(846,705)	7/1/2047	AA-/Aa2/AA
				Total	$ (1,506,830)		

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 statement of net position of $1,506,830 as of December 31, 2019. 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, 2019 of $1,506,830.

Credit Risk: The fair value of each of the swap agreements represents the Authority's credit exposure to the counterparties as of December 31, 2019. 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, 2019, 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.

Basis Risk: The swap agreements expose the Authority to basis risk should the relationship between LIBOR and the e-PRO rate set by the Authority's lender change in a manner adverse to the Authority. If an adverse change occurs in the relationship between these rates, the expected cost savings may not be realized.

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

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

Swap Payments and Associated Debt: As of December 31, 2019, 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
2020	$ -	$ 573,563	$ 269,104	$ 842,667
2021	-	573,563	269,104	842,667
2022	-	573,563	269,104	842,667
2023	-	573,563	269,104	842,667
2024	-	573,563	269,104	842,667
2025 - 2029	-	2,867,813	1,345,519	4,213,332
2030 - 2034	-	2,867,813	1,345,519	4,213,332
2035 - 2039	7,275,000	2,701,694	1,264,998	11,241,692
2040 - 2044	14,335,000	1,520,619	707,460	16,563,079
2045 - 2049	11,165,000	290,019	133,963	11,588,982
Total	$ 32,775,000	$ 13,115,773	$ 6,142,979	$ 52,033,752

Note 8: Fair Value Measurements

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

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

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

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

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

Following is a description of the valuation methodologies used by the Authority for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2019.

***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 7.

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

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

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Authority's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2019:

	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	$ 105,846,660	$ 105,846,660	$ -	$ -
Federal agency obligations	722,193,654	-	722,193,654	-
Municipal bonds	1,693,017	-	1,693,017	-
Total investments measured at fair value	$ 829,733,331	$ 105,846,660	$ 723,886,671	$ -
Hedging Derivative Instruments				
Interest rate swaps	$ 1,506,830	$ -	$ -	$ 1,506,830

Note 9: Commitments

Operating Lease

The Authority leases its office space under a non-cancellable operating lease agreement through 2031. Lease (rent) expense for 2019 was $594,271. The table below shows the required payments for rent and anticipated operating expenses for the remaining term of the lease.

2020	$ 626,721
2021	636,002
2022	645,321
2023	654,656
2024	664,021
2025 - 2029	3,461,729
2030 - 2031	1,391,995
Total future minimum payments	$ 8,080,445

Capital Leases

The Authority's governmental activities include capital leases for furniture and fixtures. At December 31, 2019, the gross amount of furniture and fixtures and related accumulated amortization recorded under these capital leases was as follows:

Furniture and fixtures	$	817,099
Less accumulated depreciation		(231,512)
	$	585,587

Future minimum capital lease payments for the Authority's activities as of December 31, 2019 are:

2020	$	112,247
2021		112,247
2022		112,247
2023		65,477
Total minimum lease payments		402,218
Less amount representing interest (6.191%)		(42,317)
Present value of the net minimum lease payment		359,901
Less current capital lease obligations		(92,564)
Obligation under capital lease - long term	$	267,337

Excess Investment Earnings

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

Note 10: Retirement Plan

Plan Description

The Authority contributed to the Public Employees' Retirement Fund (PERF), which is administered by INPRS as a cost-sharing, multiple-employer defined-benefit plan. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. The fund provides supplemental retirement benefits to Public Employees' Defined Benefit Account (PERF DB) members and serves as the primary retirement benefit for the My Choice: Retirement Savings Plan for Public Employees (My Choice Plan) members.

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

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

Retirement Benefits - Defined Benefit Pension

A member who has reached age 65 and has at least ten years of creditable service, or eight years for certain elected officials, is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position, or only four quarters for an elected official. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. Member contributions paid by the employer on behalf of the member and severance pay up to $2,000 are included as part of the member's annual compensation.

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

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

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2019; however, there was a one-time check (13th check) on October 1, which is assumed to continue annually until 2021.

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

Upon the death in service of a member with 15 or more years of creditable service 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.

Retirement Benefits - Defined Contribution Pension

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

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

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

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

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

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

Significant Actuarial Assumptions

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date:	June 30, 2019
Liability valuation date and method:	June 30, 2018 - Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2018 to June 30, 2019.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Period of four years ended June 30, 2014
Investment rate of return:	6.75%
Cost of living adjustment:	Varies per year as follows: 2020 through 2021 - 13th check, 2022 through 2033 - 0.40%, 2034 through 2038 - 0.50%, and 2039 and on - 0.60%
Projected salary increases:	2.50% - 4.25%
Inflation:	2.25%

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity	22.0%	4.9%
Private equity	14.0%	7.0%
Fixed income - ex inflation linked	20.0%	2.5%
Fixed income - inflation linked	7.0%	1.3%
Commodities	8.0%	2.0%
Real estate	7.0%	6.7%
Absolute return	10.0%	2.9%
Risk parity	12.0%	5.3%
	100%	

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

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

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$ 5,431,121	$ 3,381,741	$ 1,672,402

Investment Valuation and Benefit Payment Policies

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

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

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the My Choice Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the Plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the fiscal year ended June 30, 2019, all participating employers were required to contribute 11.2% of covered payroll for members employed by the State. For the My Choice Plan, all participating employers were required to contribute a supplemental 7.1%.

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

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

At December 31, 2019, the Authority reported a liability of $3,381,741 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, 2019 measurement date was 0.0010232.

For the year ended December 31, 2019, the Authority recognized pension expense of $463,718, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $71,506. At December 31, 2019, 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	$ 89,547	$ -
Net difference between projected and actual earnings on pension plan investments	-	159,846
Changes in assumptions	753	367,620
Changes in proportion and differences between the Authority's contributions and proportionate share contributions	146,152	14,986
Authority's contributions subsequent to the measurement date	330,276	-
Total	$ 566,728	$ 542,452

The Authority reported $330,276 as deferred outflows of resources that will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. 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:

2020	$ (88,501)
2021	(188,760)
2022	(16,328)
2023	(12,411)
Total future minimum payments	$ (306,000)

Note 11: Contingencies

Litigation

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.

Investments

The Authority invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of net position.

Note 12: Subsequent Events

Debt Issuance

On January 15, 2020, the Authority issued $61,290,000 of Indiana Housing and Community Development Authority Single Family Mortgage Revenue Bonds, 2020 Series A (2020 Series A Bonds). The 2020 Series A Bonds include serial bonds maturing through 2032, and term bonds, which mature in 2035, 2040, 2042 and 2049. The 2020 Series A Bonds bear interest at rates ranging from 0.95% to 5.00%.

Economic Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Authority, including reduction in the overall investment position. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.10232%	0.09831%	0.09670%	0.10992%	0.09270%	0.09168%	0.06410%
Authority's proportionate share of the net pension liability	$ 3,381,741	$ 3,339,635	$ 4,314,313	$ 4,988,658	$ 3,775,580	$ 2,409,291	$ 2,195,476
Authority's covered payroll	$ 5,330,879	$ 5,016,583	$ 4,797,552	$ 5,268,120	$ 4,440,142	$ 4,476,208	$ 3,997,291
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	63.4%	66.6%	89.9%	94.7%	85.0%	53.8%	54.9%
Plan fiduciary net position as a percentage of the total pension liability (a)	80.1%	78.9%	72.7%	71.2%	73.3%	81.1%	74.3%

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

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

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

Notes to Schedule:

Benefit changes: Legislation was passed through the House Enrolled Act No. 1059 to expand the current pre-retirement death benefit to apply to all active and inactive members who have at least 10 years of service, the current general vesting requirement. This provides new coverage for active and inactive members with 10 to 15 years of service (before age 65) and inactive members who die prior to age 50.

Changes of assumption: No changes.

Changes in actuarial methods: No changes.

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

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 632,393	$ 588,395	$ 538,661	$ 528,036	$ 475,408	$ 508,439
Contributions in relation to the contractually required contribution	632,393	588,395	538,661	528,036	475,408	508,439
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 5,646,363	$ 5,253,524	$ 4,809,471	$ 4,719,016	$ 4,244,707	$ 4,664,251
Contributions as a percentage of covered payroll	11.2%	11.2%	11.2%	11.2%	11.2%	10.9%

* 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: Legislation was passed through the House Enrolled Act No. 1059 to expand the current pre-retirement death benefit to apply to all active and inactive members who have at least 10 years of service, the current general vesting requirement. This provides new coverage for active and inactive members with 10 to 15 years of service (before age 65) and inactive members who die prior to age 50.

Changes of assumption: No changes.

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, 2019

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2019 Total
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and cash equivalents						
Unrestricted	$ 40,006,926	$ 16,851,076	$ 25,825,382	$ -	$ -	$ 82,683,384
Restricted	200,474	82,825,048	38,149,047	9,247,027	60,641	130,482,237
Accrued interest receivable						
Investments	224,837	-	343,426	46,588	-	614,851
Investments held against bonds	-	-	1,183,291	273,947	179,250	1,636,488
Accounts and loans receivable, net	593,104	28,570,251	-	-	-	29,163,355
Other assets	-	732,427	-	-	-	732,427
Total current assets	41,025,341	128,978,802	65,501,146	9,567,562	239,891	245,312,742
Noncurrent Assets						
Investments						
Unrestricted	67,832,461	-	71,552,795	-	-	139,385,256
Restricted	-	-	14,996,619	16,197,760	-	31,194,379
Investments held against bonds	-	-	384,143,152	102,759,754	66,404,130	553,307,036
Accounts and loans receivable, net	40,239	88,252,736	242,035	-	-	88,535,010
Capital assets, at cost, less accumulated depreciation	1,803,327	129,539	-	-	-	1,932,866
Interfund accounts	4,339,411	(3,611,720)	(727,691)	-	-	-
Total noncurrent assets	74,015,438	84,770,555	470,206,910	118,957,514	66,404,130	814,354,547
Total assets	115,040,779	213,749,357	535,708,056	128,525,076	66,644,021	1,059,667,289
Deferred Outflows of Resources						
Pension-related	566,728	-	-	-	-	566,728
Accumulated decrease in fair value of derivative	-	-	1,506,830	-	-	1,506,830
Deferred refunding costs	-	-	-	-	1,665,260	1,665,260
Total deferred outflows of resources	566,728	-	1,506,830	-	1,665,260	3,738,818
Total assets and deferred outflows of resources	$ 115,607,507	$ 213,749,357	$ 537,214,886	$ 128,525,076	$ 68,309,281	$ 1,063,406,107
Liabilities, Deferred Inflows of Resources and Net Positions						
Current Liabilities						
Bonds payable	$ -	$ -	$ 8,775,000	$ 4,170,000	$ -	$ 12,945,000
Accrued interest payable	-	-	5,272,087	229,591	179,250	5,680,928
Unearned revenue	200,474	34,275,934	-	-	-	34,476,408
Government advances	-	589,629	-	-	-	589,629
Capital lease liability	92,564	-	-	-	-	92,564
Accounts payable and other liabilities	2,931,409	10,605,084	55,339	16,296	-	13,608,128
Total current liabilities	3,224,447	45,470,647	14,102,426	4,415,887	179,250	67,392,657
Noncurrent Liabilities						
Bonds payable	-	-	356,150,000	90,685,000	62,193,522	509,028,522
Original issue premium	-	-	7,163,588	293,094	1,593,699	9,050,381
Bonds payable, net	-	-	363,313,588	90,978,094	63,787,221	518,078,903
Notes payable	-	1,692,476	-	-	-	1,692,476
Derivative instrument - interest rate swap agreements	-	-	1,506,830	-	-	1,506,830
Pension liability	3,381,741	-	-	-	-	3,381,741
Government advances	-	31,679,065	-	-	-	31,679,065
Capital lease liability	267,337	-	-	-	-	267,337
Total noncurrent liabilities	3,649,078	33,371,541	364,820,418	90,978,094	63,787,221	556,606,352
Total liabilities	6,873,525	78,842,188	378,922,844	95,393,981	63,966,471	623,999,009
Deferred Inflows of Resources						
Pension-related	542,452	-	-	-	-	542,452
Net Position						
Net investment in capital assets	1,443,426	129,539	-	-	-	1,572,965
Restricted	-	121,538,274	61,298,130	33,131,095	4,342,810	220,310,309
Unrestricted	106,748,104	13,239,356	96,993,912	-	-	216,981,372
Total net position	108,191,530	134,907,169	158,292,042	33,131,095	4,342,810	438,864,646
Total liabilities, deferred inflows of resources and net position	$ 115,607,507	$ 213,749,357	$ 537,214,886	$ 128,525,076	$ 68,309,281	$ 1,063,406,107

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, 2019

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2019 Total
Revenues						
Interest income						
Investments	$ 3,346,088	$ 219,480	$ 4,852,170	$ 793,012	$ 493	$ 9,211,243
Investments held against bonds	-	-	13,040,675	3,839,652	2,930,498	19,810,825
Loans	-	1,051,990	-	-	-	1,051,990
Fee income	5,044,564	1,500	-	-	-	5,046,064
Program income	-	377,950,395	-	-	-	377,950,395
Gain on sale of Next Home investments	5,131,058	-	144,618	-	-	5,275,676
Net decrease in fair value of investments	445,233	-	14,301,737	3,830,107	1,330,323	19,907,400
Other income	546,105	-	-	-	-	546,105
Total revenues	14,513,048	379,223,365	32,339,200	8,462,771	4,261,314	438,799,698
Expenses						
Investment expense (down payment assistance)	3,583,200	-	4,580,916	-	-	8,164,116
Loss on sale of investments	342,725	-	1,164,365	92,816	-	1,599,906
Interest expense	25,226	17,625	10,092,584	3,108,667	2,742,912	15,987,014
Issuance costs	-	-	1,209,470	-	-	1,209,470
Program expenses	60,196	360,089,409	12,739	-	-	360,162,344
General and administrative expenses	6,491,525	12,451,040	962,621	332,539	12,000	20,249,725
Total expenses	10,502,872	372,558,074	18,022,695	3,534,022	2,754,912	407,372,575
Operating Income	4,010,176	6,665,291	14,316,505	4,928,749	1,506,402	31,427,123
Transfers						
Interfund transfers	(317,615)	317,615	274,322	-	(274,322)	-
Increase in Net Position	3,692,561	6,982,906	14,590,827	4,928,749	1,232,080	31,427,123
Net Position, Beginning of Year, as previously reported	104,498,969	163,444,905	143,701,215	28,202,346	3,110,730	442,958,165
Prior Period Restatement	-	(35,520,642)	-	-	-	(35,520,642)
Net Position, Beginning of Year, as restated	104,498,969	127,924,263	143,701,215	28,202,346	3,110,730	407,437,523
Net Position, End of Year	$ 108,191,530	$ 134,907,169	$ 158,292,042	$ 33,131,095	$ 4,342,810	$ 438,864,646

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, 2019

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2019 Total
Cash Flows From Operating Activities						
Receipts for services	$ 12,033,688	$ -	$ -	$ -	$ -	$ 12,033,688
Receipts for program revenue	-	349,178,935	-	-	-	349,178,935
Principal received on loans receivable	6,008	-	-	-	-	6,008
Interest received on investments	3,228,321	219,480	5,158,586	771,857	493	9,378,737
Interest received on investments held against bonds	-	-	12,164,485	3,621,431	2,659,690	18,445,606
Interest received on loans	-	1,051,990	-	-	-	1,051,990
Payments for program expenses	(60,196)	(368,315,496)	(12,739)	-	-	(368,388,431)
Interest paid on bonds and bank loans	(25,226)	(17,625)	(8,705,582)	(3,150,858)	(2,374,213)	(14,273,504)
Debt issuance costs incurred	-	-	(1,209,470)	-	-	(1,209,470)
Investment expense	-	-	(4,580,916)	-	-	(4,580,916)
Payments for suppliers and employees	(9,063,305)	-	(951,630)	(316,243)	(12,000)	(10,343,178)
Interfund activity	944,488	(298,292)	(646,196)	-	-	-
Net cash provided by (used in) operating activities	7,063,778	(18,181,008)	1,216,538	926,187	273,970	(8,700,535)
Cash Flows From Non-Capital and Related Financing Activities						
Proceeds from bond issues	-	-	104,993,765	-	-	104,993,765
Repayments and redemption of bonds and bank loans	-	(72,573)	(17,630,000)	(16,750,000)	(12,001,946)	(46,454,519)
Transfers	(317,615)	317,615	274,322	-	(274,322)	-
Net cash provided by (used in) non-capital and related financing activities	(317,615)	245,042	87,638,087	(16,750,000)	(12,276,268)	58,539,246
Cash Flows From Capital and Related Financing Activities						
Purchases of capital assets	(53,980)	(74,000)	-	-	-	(127,980)
Payments on capital lease	(87,021)	-	-	-	-	(87,021)
Net cash used in capital and related financing activities	(141,001)	(74,000)	-	-	-	(215,001)
Cash Flows From Investing Activities						
Proceeds from sale and maturities of investments	34,195,051	-	74,012,967	6,804,740	-	115,012,758
Principal received on investments held against bonds	-	-	35,106,573	17,009,772	12,002,298	64,118,643
Purchases of investments held against bonds	-	-	(122,234,004)	-	-	(122,234,004)
Purchase of DPA loans	-	-	(242,035)	-	-	(242,035)
Purchase of investments	(58,724,496)	-	(65,473,811)	(17,253,157)	-	(141,451,464)
Net cash provided by (used in) investing activities	(24,529,445)	-	(78,830,310)	6,561,355	12,002,298	(84,796,102)
Net Increase (Decrease) in Cash and Cash Equivalents	(17,924,283)	(18,009,966)	10,024,315	(9,262,458)	-	(35,172,392)
Cash and Cash Equivalents, January 1	58,131,683	117,686,090	53,950,114	18,509,485	60,641	248,338,013
Cash and Cash Equivalents, December 31	$ 40,207,400	$ 99,676,124	$ 63,974,429	$ 9,247,027	$ 60,641	$ 213,165,621
Cash and Cash Equivalents						
Cash	$ 8,474,511	$ 98,844,450	$ -	$ -	$ -	$ 107,318,961
Money market investments	31,732,889	831,674	63,974,429	9,247,027	60,641	105,846,660
Total cash and cash equivalents	$ 40,207,400	$ 99,676,124	$ 63,974,429	$ 9,247,027	$ 60,641	$ 213,165,621

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, 2019

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2019 Total
Reconciliation of Change in Net Position to Net Cash Provided by (Used in) Operating Activities:						
Change in net position	$ 4,010,176	$ 6,665,291	$ 14,316,505	$ 4,928,749	$ 1,506,402	$ 31,427,123
Adjustment to reconcile change in net position to net cash provided by (used in) operating activities:						
Net decrease in fair value of investments	(445,233)	-	(14,301,737)	(3,830,107)	(1,330,323)	(19,907,400)
Loss on sale of investments	342,725	-	1,019,747	92,816	-	1,455,288
Depreciation	617,237	40,254	-	-	-	657,491
Amortization of bond premium/discount	-	-	(605,733)	(265,999)	(305,253)	(1,176,985)
Changes in operating assets and liabilities:						
Accounts and loan receivable	1,117,495	(1,380,944)	-	-	-	(263,449)
Accrued interest receivable	(117,767)	-	35,959	26,623	34,445	(20,740)
Other assets	944,488	(4,462)	(646,196)	-	-	293,830
Deferred pension costs	(47,214)	-	-	-	-	(47,214)
Deferred refunding costs	-	-	-	-	403,144	403,144
Unearned revenue	200,474	(28,281,371)	-	-	-	(28,080,897)
Accounts payable and other liabilities	562,858	4,184,700	10,991	16,296	-	4,774,845
Accrued interest payable	-	-	1,387,002	(42,191)	(34,445)	1,310,366
Net pension liability	42,106	-	-	-	-	42,106
Deferred pension revenue	(163,567)	-	-	-	-	(163,567)
Government advances	-	595,524	-	-	-	595,524
Total adjustments	3,053,602	(24,846,299)	(13,099,967)	(4,002,562)	(1,232,432)	(40,127,658)
Net cash provided by (used in) operating activities	$ 7,063,778	$ (18,181,008)	$ 1,216,538	$ 926,187	$ 273,970	$ (8,700,535)

Exhibit E

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)

Single Audit Report

For the Year Ended December 31, 2019

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
December 31, 2019

Contents

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor / Pass - Through Grantor or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Expenditures Paid Directly by the Authority	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Rural Rental Housing Loans	10.415	$ -	$ 1,759,165	$ 1,759,165
Total U.S. Department of Agriculture		-	1,759,165	1,759,165
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Housing Counseling Assistance Program	14.169	-	123,403	123,403
Section 8 Housing Assistance Payments Program *(Section 8 Project-Based Cluster)*	14.195	187,005,895	-	187,005,895
Indiana Office of Rural and Community Affairs *(pass-through entity)*				-
Community Development Block Grants (a)	14.228	19,601,698	-	19,601,698
Emergency Solutions Grant	14.231	3,506,720	172,878	3,679,598
Home Investment Partnerships Program	14.239	16,901,140	8,754,834	25,655,974
Housing Opportunities for Persons with AIDS	14.241	1,082,081	37,048	1,119,129
Continuum of Care Program	14.267	4,567,711	1,103,044	5,670,755
Housing Trust Fund	14.275	-	1,454,216	1,454,216
Performance Based Contract Administrator Programs	14.327	-	887,931	887,931
Section 8 Housing Choice Vouchers *(Housing Voucher Cluster)*	14.871	26,123,423	4,917,825	31,041,248
Section 8 - Housing Choice Vouchers Mainstream *(Housing Voucher Custer)*	14.879	22,600	-	22,600
Total Housing Voucher Cluster		26,146,023	4,917,825	31,063,848
Lead Hazard Reduction Demonstration Grant Program	14.905	50,693	56,176	106,869
Total U.S. Department of Housing and Urban Development		258,861,961	17,507,355	276,369,316
U.S. DEPARTMENT OF ENERGY:				
Weatherization Assistance for Low-Income Persons	81.042	8,418,351	236,117	8,654,468
Total U.S. Department of Energy		8,418,351	236,117	8,654,468
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Temporary Housing for Needy Families *(TANF Cluster)*	93.558	326,673	25,445	352,118
Low Income Home Energy Assistance Program	93.568	9,738,804	71,477,745	81,216,549
Community Services Block Grant	93.569	11,012,697	582,723	11,595,420
Assets for Independence Demonstration Program	93.602	79,182	270,988	350,170
Total U.S. Department of Health and Human Services		21,157,356	72,356,901	93,514,257
Total Expenditures of Federal Awards		$ 288,437,668	$ 91,859,538	$ 380,297,206

(a) Pass-through Identifying Numbers: A192-IH-PSH12-001, A192-IH-PSC16-001, A192-IH-PSH18-001, A192-10-PSC-DR2-001, and A192-20-MOU-101.

See Notes to Schedule of Expenditures of Federal Awards

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Indiana Housing and Community Development Authority (the Authority) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan programs listing subsequently are administered directly by the Authority, and balance and transactions relating to these programs are included in the Authority's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2019, consist of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2019
10.415	Rural Rental Housing Loans	$ 1,696,910
14.228	Community Development Block Grants	16,013,360
14.239	Home Investment Partnerships Program	16,255,334
		$ 33,965,604

During 2019, the Authority granted noncash assistance in the form of loans totaling $152,681 for the Home Investment Partnerships Program, and $990,000 for the Community Development Block Grants.

201 N. Illinois Street, Suite 700 | P.O. Box 44998 | Indianapolis, IN 46244-0998
317.383.4000 | Fax 317.383.4200 | bkd.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Indiana Housing and Community Development Authority (Authority), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2020, which included an emphasis of matter paragraph regarding an error correction.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's Response to Findings

The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Indianapolis, Indiana
April 16, 2020

BKD
CPAs & Advisors

201 N. Illinois Street, Suite 700 | P.O. Box 44998 | Indianapolis, IN 46244-0998
317.383.4000 | Fax 317.383.4200 | bkd.com

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Indiana Housing and Community Development Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Authority, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated April 16, 2020, which contained an unmodified opinion on those financial statements, and which contained an emphasis of matter paragraph related to an error correction.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Indianapolis, Indiana
April 16, 2020

Indiana Housing and Community Development Authority
(A Component Unit of the State of Indiana)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☒ Yes ☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The Authority's major programs were:

Cluster/Program	CFDA Number
Section 8 Project-Based Cluster	14.195
HOME Investment Partnerships Program	14.239
Community Services Block Grant	93.569

8. The threshold used to distinguish between Type A and Type B programs was $3,000,000.

9. The Authority qualified as a low-risk auditee? ☒ Yes ☐ No

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2019

Findings Required to be Reported by *Government Auditing Standards*

Reference Number		Finding
2019-001	**Criteria or Specific Requirement:**	Management is responsible for establishing and maintaining effective internal controls over financial reporting.
	Condition:	Differences were identified by the Authority during the year-end financial statement preparation process that resulted in the restatement of the beginning net position balance in the 2019 financial statements and some minor adjustments to the current year activity. The corrections resulting in the restatement are summarized in the notes to the financial statements. (Material Weakness).
	Effect:	A prior period restatement and current year adjusting journal entries were recorded in the financial statements.
	Cause:	The Authority's internal control environment did not identify these adjustments in a timely manner because there was uncertainty in whether the amounts in question were required to be repaid to the funding agency.
	Recommendation:	We recommend the Authority adjust their accounting procedures surrounding these loan receivable transactions for the HOME and CDBG-D programs to ensure all future loans are properly reflected as liabilities until used for program expense or repaid to HUD.
	Views of Responsible Officials and Planned Corrective Actions:	As noted, the Authority was uncertain as to whether the program income derived from HUD's HOME and CDBG-D activities were required to be repaid to HUD if not otherwise reinvested into the programs. During the 2019 audit, the Authority worked with the auditors to determine the proper accounting and reporting for these funds, as well as establish a policy for such transactions in the future. *Persons responsible for implementing:* Vinya Dunbar, Controller and Director of Accounting *Anticipated completion date:* December 31, 2020

Findings Required to be Reported by the *Uniform Guidance*

Reference Number	Finding

No matters are reportable.

Indiana Housing and Community Development Authority

(A Component Unit of the State of Indiana)

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2019

Reference Number	Summary of Finding	Status

No matters are reportable.

BKD
CPAs & Advisors

201 N. Illinois Street, Suite 700 | P.O. Box 44998 | Indianapolis, IN 46244-0998
317.383.4000 | Fax 317.383.4200 | bkd.com

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

As part of our audits of the financial statements and compliance of Indiana Housing and Community Development Authority (Authority) as of and for the year ended December 31, 2019, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in *Government Auditing Standards* Issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Authority's significant accounting policies are described in Note 2 of the audited financial statements.

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for uncollectible receivables, including loans
- Fair value of derivative instruments
- Net pension liability

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- No matters are reportable

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. A misstatement is a difference between the amount, classification, presentation or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Area in which adjustments were proposed include:

- An adjustment to reclassify balances related to the HOME and Community Development Block Grant loan programs from net position to liabilities.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Authority's application of accounting principles:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the Authority as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a material weakness.

Material Weakness

Refer to the *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards* - *Independent Auditor's Report* .

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Organizational Structure

We understand the current accounting and reporting structure at the Authority does not necessarily connect the Program Accounting Department to the Accounting Department. This could lead to risks that decisions made in the Program Accounting Department could have unintended consequences from a financial reporting perspective. We therefore recommend the Authority reevaluate the current organizational structure to determine if it is still the most effective and efficient approach to ensuring all accounting and reporting matters are evaluated by the appropriate individuals.

Reference Rate Reform

The London Interbank Offered Rate (LIBOR), which began its daily publication in 1986, represents the average of the estimated interest rates that a high-quality London bank would be charged to borrow from other leading banks. It quickly evolved into the world's primary benchmark for short-term interest rates. In 2012, the rate submission process was corrupted by member banks manipulating rates for their own profit, and post-financial crisis regulation has significantly reduced the transaction volume upon which banks base their LIBOR submissions. In fact, it is expected that a number of banks currently reporting information used to set LIBOR will stop doing so after 2021.

In 2014, the Federal Reserve established the Alternative Reference Rates Committee (ARRC), which is tasked, among other matters, with identifying a risk-free alternative reference rate (ARR) for USD LIBOR, and in 2017, ARRC identified the Secured Overnight Financing Rate (SOFR), which is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, as its preferred alternative rate for USD LIBOR. We recommend the Authority continue to monitor and discuss this change with your financial advisors and counterparties.

COVID-19 Resource Center

BKD has created a new resource center to help disseminate important tax and accounting information for our clients and friends as we evaluate ways to mitigate the inevitable financial effects of the SARS- CoV-2 virus and the incidence of COVID-19 (Coronavirus). Some of the information included in the COVID-19 Resource Center is as follows:

- Small Business Administration loans, payroll tax credits and general business planning considerations
- Business continuity
- Cash flow projections and business planning
- Security and agility for a remote work environment
- CARES Act relief for state and local governments
- Tax considerations surrounding COVID-19
- Protect your organization with cyber hygiene tips

We encourage you to check out these resources, which are available at https://www.bkd.com/covid-19-resource-center?industry[3856]=3856

FUTURE ACCOUNTING CONSIDERATIONS

Governmental Accounting Standards Board to Consider Postposing Certain Effective Dates

On March 26, 2020, the Governmental Accounting Standards Board (GASB) announced it has added a project to its technical agenda to reevaluate the effective dates of certain pronouncements and Implementation Guide provisions that have an effective date that begins on or after June 15, 2018.

As a result of COVID-19, several governments have been forced to close their offices, limiting the access those individuals have to the information necessary for implementing new GASB standards. GASB received numerous requests from state and local government officials regarding postponing the effective dates of pronouncements. GASB plans to consider issuing an exposure draft in April 2020, with final guidance to be issued in May 2020. Until GASB takes official action on this matter, we encourage all governments to continue to execute their implementation plans for new standards to the best of their ability.

GASB Statement No. 87, *Leases*

GASB Statement No. 87, *Leases* (GASB 87): GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

GASB 87 is effective for financial statements for fiscal years beginning after December 15, 2019 (i.e. the Authority's December 31, 2020 year-end). Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Early this year, the GASB released Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Under the new guidance, all governmental entities would recognize interest costs incurred before the end of a construction period as an expense of the period. These costs would not be included in the historical cost of a capital asset, as was previously required for enterprise funds. GASB believes the changes will enhance comparability of information between governmental entities about capital assets and a reporting period's borrowing costs.

GASB 89 is effective for financial statements for fiscal years beginning after December 15, 2019 (i.e. the Authority's December 31, 2020 year-end). Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*

The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures.

The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2020 (i.e. the Authority's December 31, 2021 year-end). Earlier application is encouraged.

BKD, LLP

Indianapolis, Indiana
April 16, 2020

ihcda

Indiana Housing & Community Development Authority

April 16, 2020

BKD, LLP
Certified Public Accountants
201 N. Illinois Street, Suite 700
Indianapolis, IN 46244

We are providing this letter in connection with your audit of our financial statements as of and for the year ended December 31, 2019 and your audit of our compliance with requirements applicable to each of our major federal awards programs as of and for the year ended December 31, 2019. We confirm that we are responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, operations and compliance, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our engagement letter dated January 22, 2020, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

2. We acknowledge our responsibility for 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.

5. We have provided you with:

   (a) Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.

   (b) Additional information that you have requested from us for the purpose of the audit.

   (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

   (d) All minutes of meetings of the governing body held through the date of this letter.

   (e) All significant contracts and grants.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. We have informed you of all current risks of a material amount that are not adequately prevented or detected by entity procedures with respect to:

   (a) Misappropriation of assets.

   (b) Misrepresented or misstated assets, liabilities or net position.

8. We understand the potential penalties for failure to disclose reportable tax transactions to the taxing authorities and have fully disclosed to BKD any and all known reportable tax transactions.

9. We have no knowledge of any known or suspected:

   (a) Fraudulent financial reporting or misappropriation of assets involving management or employees who have significant roles in internal control.

   (b) Fraudulent financial reporting or misappropriation of assets involving others that could have a material effect on the financial statements.

10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority received in communications from employees, customers, regulators, suppliers or others.

11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with

accounting principles generally accepted in the United States of America. We understand that the term related party refers to an affiliate; management, and members of their immediate families, component units; and any other party with which the entity may deal if it can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with us.

13. Except as reflected in the financial statements, there are no:

    (a) Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.

    (b) Material transactions omitted or improperly recorded in the financial statements.

    (c) Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.

    (d) Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.

    (e) Agreements to purchase assets previously sold.

    (f) Restrictions on cash balances or compensating balance agreements.

    (g) Guarantees, whether written or oral, under which the Authority is contingently liable.

14. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

15. We have no reason to believe the Authority owes any penalties or payments under the Employer Shared Responsibility Provisions of the Patient Protection and Affordable Care Act nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

16. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

17. Adequate provisions and allowances have been accrued for any material losses from:

    (a) Uncollectible receivables.

    (b) Purchase commitments in excess of normal requirements or above prevailing market prices.

18. Except as disclosed in the financial statements, we have:

    (a) Satisfactory title to all recorded assets, and they are not subject to any liens, pledges or other encumbrances.

(b) Complied with all aspects of contractual and grant agreements, for which noncompliance would materially affect the financial statements.

19. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

20. We have notified you of any instances of noncompliance with applicable disclosure requirements of the SEC Rule 15c2-12 and applicable state laws.

21. With regard to deposit and investment activities:

(a) All deposit, repurchase and reverse repurchase agreements and investment transactions have been made in accordance with legal and contractual requirements.

(b) Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.

(c) We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.

22. With respect to any nonattest services you have provided us during the year, including with assisting with the preparation of the financial statements:

(a) We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.

(b) We have established and monitored the performance of the nonattest services to ensure that they meet our objectives.

(c) We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.

(d) We have evaluated the adequacy of the services performed and any findings that resulted.

23. We acknowledge that we are responsible for compliance with applicable laws, regulations and provisions of contracts and grant agreements.

24. We have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determination of amounts in our financial statements or other financial data significant to the audit objectives.

25. We have identified and disclosed to you any violations or possible violations of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for recognition and/or disclosure in the financial statements or for your reporting on noncompliance.

26. We have taken or will take timely and appropriate steps to remedy any fraud, abuse,

illegal acts or violations of provisions of contracts or grant agreements that you or other auditors report.

27. We have a process to track the status of audit findings and recommendations.

28. We have identified to you any previous financial audits, attestation engagements, performance audits or other studies related to the objectives of your audit and the corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other studies.

29. We have provided our views on any findings, conclusions and recommendations, as well as our planned corrective actions with respect thereto, to you for inclusion in the findings and recommendations referred to in your report on internal control over financial reporting and on compliance and other matters based on your audit of the financial statements performed in accordance with *Government Auditing Standards*.

30. With regard to federal awards programs:

    (a) We have identified in the schedule of expenditures of federal awards all assistance provided (either directly or passed through other entities) by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, commodities, insurance, direct appropriations or in any other form.

    (b) We have identified the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Compliance Supplement* regarding activities allowed or unallowed; allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; period of performance of federal funds; procurement and suspension and debarment; program income; reporting; subrecipient monitoring; and special tests and provisions that are applicable to each of our federal awards programs. We have identified to you our interpretation of any applicable compliance requirements subject to varying interpretations.

    (c) We are responsible for complying, and have complied, with the requirements of Uniform Guidance.

    (d) We are responsible to understand and comply with the requirements of federal statutes, regulations and the terms and conditions of federal awards related to each of our federal awards programs and have disclosed to you any and all instances of noncompliance with those requirements occurring during the period of your audit or subsequent thereto to the date of this letter of which we are aware. Except for any instances of noncompliance we have disclosed to you, we believe the Authority has complied with all applicable compliance requirements.

    (e) We are responsible for establishing and maintaining effective internal control over compliance to provide reasonable assurance we have administered each of our federal awards programs in compliance with federal statutes, regulations and the terms and conditions of the federal awards.

    (f) We have made available to you all federal awards (including amendments, if any) and any other correspondence or documentation relevant to each of our federal awards programs and to our compliance with applicable requirements of those programs.

(g) The information presented in federal awards program financial reports and claims for advances and reimbursements is supported by the books and records from which our financial statements have been prepared.

(h) The costs charged to federal awards are in accordance with applicable cost principles.

(i) The reports provided to you related to federal awards programs are true copies of reports submitted or electronically transmitted to the federal awarding agency, the applicable payment system or pass-through entity in the case of a subrecipient.

(j) Amounts claimed or used for matching were determined in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) regarding cost principles.

(k) We have monitored any subrecipients to determine that they have expended federal awards in accordance with federal statutes, regulations and the terms and conditions of the subaward and have met the audit and other requirements of the Uniform Guidance.

(l) We have taken appropriate corrective action on a timely basis after receipt of any subrecipient's auditor's report that identified findings and questioned costs pertaining to federal awards programs passed through to the subrecipient by us.

(m) We have considered the results of any subrecipient's audits received and made any necessary adjustments to our books and records.

(n) We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the applicable compliance requirements for each of our federal awards programs, including any communications received from the end of the period of your audit through the date of this letter.

(o) We have identified to you any previous compliance audits, attestation engagements and internal or external monitoring related to the objectives of your compliance audit, including findings received and corrective actions taken to address any significant findings and recommendations made in such audits, attestation engagements or other monitoring.

(p) The summary schedule of prior audit findings correctly states the status of all audit findings of the prior audit's schedule of findings and questioned costs and any uncorrected open findings included in the prior audit's summary schedule of prior audit findings as of the date of this letter.

(q) The reporting package does not contain any protected personally identifiable information.

31. The financial statements disclose all significant estimates and material concentrations known to us. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events <u>could</u> occur which

would significantly disrupt normal finances within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

32. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.

33. The supplementary information required by the Governmental Accounting Standards Board, consisting of management's discussion and analysis, pension information, has been prepared and is measured and presented in conformity with the applicable GASB pronouncements, and we acknowledge our responsibility for the information. The information contained therein is based on all facts, decisions and conditions currently known to us and is measured using the same methods and assumptions as were used in the preparation of the financial statements. We believe the significant assumptions underlying the measurement and/or presentation of the information are reasonable and appropriate. There has been no change from the preceding period in the methods of measurement and presentation.

34. With regard to supplementary information:

    (a) We acknowledge our responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

    (b) We believe the supplementary information is fairly presented, both in form and content, in accordance with the applicable criteria.

    (c) The methods of measurement and presentation of the supplementary information are unchanged from those used in the prior period.

    (d) We believe the significant assumptions or interpretations underlying the measurement and/or presentation of the supplementary information are reasonable and appropriate.

    (e) If the supplementary information is not presented with the audited financial statements, we acknowledge we will make the audited financial statements readily available to intended users of the supplementary information no later than the date such information and the related auditor's report are issued.

35. We have restated the 2019 financial statements to conform with the accounting principles generally accepted in the United States of America. We have provided you with all relevant information regarding the restatement. We are not aware of any other known matters that require correction in the financial statements.

36. We acknowledge the current economic volatility presents difficult circumstances and challenges for the public sector. Governments are potentially facing declines in the fair values of investments and other assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material

future adjustments to asset values, allowances for accounts and loans receivable, etc., that could negatively impact the Authority's ability to meet debt covenants or maintain sufficient liquidity. We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Authority's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Authority, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

Jacob Sipe, Executive Director

Richard Harcourt, Chief Financial Officer

Vinya Dunbar, Controller & Director of Accounting