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August 17, 2009

Sherry Seiwert, Executive Director  
Indiana Housing and Community Development Authority  
30 S. Meridian, Suite 1000  
Indianapolis, IN 46204

Dear Ms. Seiwert:

We have received the audit report prepared by Katz, Sapper, & Miller, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. Per the auditors' opinions, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the Government Auditing Standards issued by the Comptroller General of the United States. The financial statements included in the report present fairly the financial condition of the Indiana Housing and Community Development Authority as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS



A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2008 and 2007

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**KATZ, SAPPER & MILLER**

Certified Public Accountants

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

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## *Independent Auditors' Report*

Board of Directors  
Indiana Housing and Community Development Authority

We have audited the accompanying statements of net assets of the major funds and business-type activities of Indiana Housing and Community Development Authority (Authority), a component unit of the State of Indiana, as of December 31, 2008 and 2007, and the related individual statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major funds and business-type activities of Indiana Housing and Community Development Authority at December 31, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's Discussion and Analysis on pages 2 through 11, and the schedule of funding progress and employer contributions on page 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
April 23, 2009

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

This section of Indiana Housing and Community Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial position, results of operations and cash flows during the fiscal years ended December 31, 2008 and 2007. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

***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 (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 Federal governments, program fees, investment interest earnings and interest earned on loan portfolios.

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

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

***Financial Statements***

The basic financial statements include three required statements, which provide different views of the Authority. They are the *Statement of Net Assets*, the *Statement of Revenues, Expenses and Changes in Net Assets* and the *Statement of Cash Flows*. These statements provide current and long-term information about the Authority and its activities.

The *Statements of Net Assets* answers the question, "How was our financial health at the end of the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Assets*. 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.

***2008 Financial Highlights***

The assets of the Authority exceeded its liabilities at December 31, 2008 by \$256.3 million compared to \$198.7 million at December 31, 2007. Net assets at December 31, 2008 consisted of \$163.7 million restricted by bond indentures, \$8.5 million restricted by funding sources, \$1.1 million invested in capital assets, and \$83.0 million, which is unrestricted and available to meet the obligations of the Authority's operations.

Total assets decreased by \$128.6 million or 6.2 percent during 2008 from \$2,079.7 million to \$1,951.1 million due mainly to a decrease in cash and investments.

The Authority's largest liability, bonds payable, decreased by \$43.8 million or 3.3 percent during 2008 from \$1,337.6 million to \$1,293.8 million.

The total change in net assets in 2008 was an increase of \$57.6 million consisting of operating income of \$57.5 million (which includes a net increase in the fair value of investments of \$36.4 million) and nonoperating income of \$19.0 thousand.

In 2008, total operating revenues were \$446.2 million, which includes interest income on mortgage loans of \$56.5 million, federal and state program income of \$297.4 million, interest income on investments of \$38.5 million, a net increase in the fair value of securities of \$36.4 million, \$16.0 million in fee income and \$1.4 million of other income.

Total operating expenses in 2008 were \$388.7 million, which includes \$59.4 million of interest expense on bonds, \$293.8 million of direct federal and state program expenses, \$15.9 million of general and administrative expense, \$16.9 million of interest expense on bank loans, \$1.4 million of amortization of debt issuance costs and \$1.3 million of other expenses.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*2007 Financial Highlights*

The assets of the Authority exceeded its liabilities at December 31, 2007 by \$198.7 million compared to \$176.9 million at December 31, 2006. Net assets at December 31, 2007 consisted of \$118.5 million restricted by bond indentures, \$3.0 million restricted by funding sources, \$551 thousand invested in capital assets, and \$76.7 million, which is unrestricted and available to meet the obligations of the Authority's operations.

Total assets increased by \$365.9 million or 21.4 percent during 2007 from \$1,713.7 million to \$2,079.7 million due mainly to an increase in cash and investments.

The Authority's largest liability, bonds payable, decreased by \$140.5 million or 9.5 percent during 2007 from \$1,478.1 million to \$1,337.6 million.

The total change in net assets in 2007 was an increase of \$21.8 million consisting of operating income of \$21.5 million (which includes a net increase in the fair value of investments of \$9.0 million).

In 2007, total operating revenues were \$383.1 million, which includes interest income on mortgage loans of \$48.7 million, federal and state program income of \$273.0 million, interest income on investments of \$39.2 million, a net increase in the fair value of securities of \$9.0 million, \$12.4 million in fee income and \$0.9 million of other income.

Total operating expenses in 2007 were \$361.6 million, which includes \$69.0 million of interest expense on bonds, \$275.0 million of direct federal and state program expenses, \$15.2 million of general and administrative expense, \$1.1 million of amortization of debt issuance costs and \$1.3 million of other expenses.

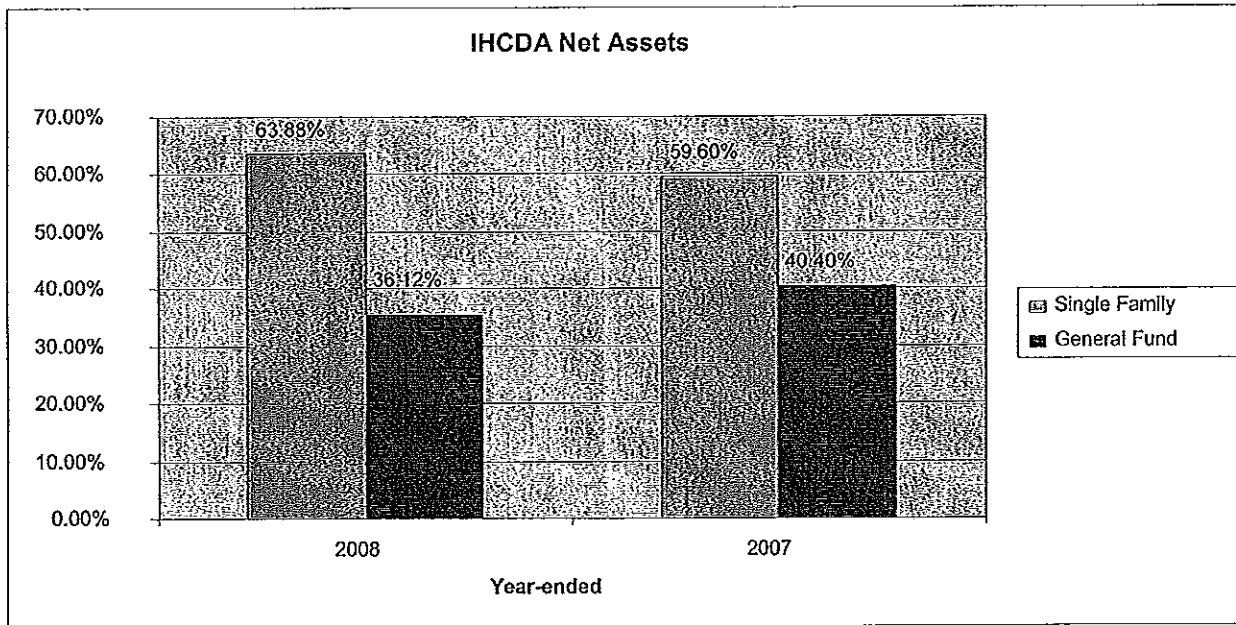
**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**2008 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 net assets. Total net assets as of December 31, 2008 increased 29.0% to \$256.3 million from \$198.7 million in the previous year. Unrestricted net assets increased \$6.3 million or 8.2% from the prior year, comprising 4.3% of total assets and 32.4% of total net assets. Total assets decreased \$128.6 million or 6.2% from the prior year.

**2007 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 net assets. Total net assets as of December 31, 2007 increased 12.3% to \$198.7 million from \$176.9 million in the previous year. Unrestricted net assets increased \$4.2 million or 5.8% from the prior year, comprising 3.7% of total assets and 38.6% of total net assets. Total assets increased \$365.9 million or 21.4% from the prior year.



**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**2008 Financial Analysis**

The following table is a condensed summary of net assets at December 31 (in thousands):

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percentage</u>
<b>Assets</b>				
Current assets	\$ 449,440	\$ 574,896	\$ (125,456)	-21.8%
Noncurrent assets	<u>1,501,702</u>	<u>1,504,757</u>	<u>(3,055)</u>	-0.2%
Total assets	<u>1,951,142</u>	<u>2,079,653</u>	<u>(128,511)</u>	-6.2%
<b>Liabilities</b>				
Current liabilities	492,479	550,403	(57,924)	-10.5%
Noncurrent liabilities	<u>1,202,402</u>	<u>1,330,554</u>	<u>(128,152)</u>	-9.6%
Total liabilities	<u>1,694,881</u>	<u>1,880,957</u>	<u>(186,076)</u>	-9.9%
<b>Net assets</b>				
Restricted	173,288	122,040	51,248	42.0%
Unrestricted	<u>82,973</u>	<u>76,656</u>	<u>6,317</u>	8.2%
Total net assets	<u>\$ 256,261</u>	<u>\$ 198,696</u>	<u>\$ 57,565</u>	29.0%

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**Operating Analysis**

The following table is a condensed summary of operating income for the years ended December 31 (in thousands):

	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percentage</u>
<b>Operating Revenues</b>				
Interest on loans	\$ 56,535	\$ 48,674	\$ 7,861	16.2%
Interest on investments	38,551	39,182	(631)	-1.6%
Program revenues	313,333	285,374	27,959	9.8%
Net increase in fair value of investments	36,378	8,960	27,418	306.0%
Other operating revenue	1,432	907	525	57.9%
Total operating revenues	<u>446,229</u>	<u>383,097</u>	<u>63,132</u>	16.5%
<b>Operating Expenses</b>				
Total interest expense	76,223	70,306	5,917	8.4%
Program expenses	293,813	274,997	18,816	6.8%
Other operating expenses	18,647	16,308	2,339	14.3%
Total operating expenses	<u>388,683</u>	<u>361,611</u>	<u>27,072</u>	7.5%
Operating income	<u>\$ 57,546</u>	<u>\$ 21,486</u>	<u>\$ 36,060</u>	167.8%

Interest income on mortgage loans, interest income on investments, fee income, and federal grant income represent the significant sources of operating revenue for the Authority.

Interest income on mortgage loans of \$56.5 million for 2008 increased compared to \$48.7 million for 2007. Interest income on investments of \$38.6 million for 2008 decreased compared to \$39.2 million for 2007.

The increase in fair value of securities for 2008 was \$36.4 million compared to an increase of \$9.0 million in 2007. This represents an increase in the overall fair value of investments held at December 31, 2008, compared to their fair value at December 31, 2007, due to the current interest rate environment. Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the Authority to value its securities at fair value with the change in fair value reported as operating revenue. The change in the fair value of securities is an unrealized gain in market value and has no direct effect on actual cash flows.

Fee income of \$16.0 million for the current year increased compared to \$12.4 million in the prior year.

Total interest expense on bonds was \$59.4 million in 2008 compared to \$69.0 million in 2007.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling \$297.4 million in revenue in 2008.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**2007 Financial Analysis**

The following table is a condensed summary of net assets at December 31 (in thousands):

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percentage</u>
<b>Assets</b>				
Current assets	\$ 574,896	\$ 90,319	\$ 484,577	536.5%
Noncurrent assets	<u>1,504,757</u>	<u>1,623,390</u>	<u>(118,633)</u>	-7.3%
Total assets	<u>2,079,653</u>	<u>1,713,709</u>	<u>365,944</u>	21.4%
<b>Liabilities</b>				
Current liabilities	550,403	240,751	309,652	128.6%
Noncurrent liabilities	<u>1,330,554</u>	<u>1,296,098</u>	<u>34,456</u>	2.7%
Total liabilities	<u>1,880,957</u>	<u>1,536,849</u>	<u>344,108</u>	22.4%
<b>Net assets</b>				
Restricted	122,040	104,396	17,644	16.9%
Unrestricted	<u>76,656</u>	<u>72,464</u>	<u>4,192</u>	5.8%
Total net assets	<u>\$ 198,696</u>	<u>\$ 176,860</u>	<u>\$ 21,836</u>	12.3%

**Operating Analysis**

The following table is a condensed summary of operating income for the years ended December 31 (in thousands):

	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Percentage</u>
<b>Operating Revenues</b>				
Interest on loans	\$ 48,674	\$ 41,921	\$ 6,753	16.1%
Interest on investments	39,182	25,015	14,167	56.6%
Program revenues	285,374	209,873	75,501	36.0%
Net (decrease) in fair value of investments	8,960	(15,331)	24,291	158.4%
Other operating revenue	<u>907</u>	<u>1,118</u>	<u>(211)</u>	-18.9%
Total operating revenues	<u>383,097</u>	<u>262,596</u>	<u>120,501</u>	45.9%
<b>Operating Expenses</b>				
Total interest expense	70,306	56,962	13,344	23.4%
Program expenses	274,997	199,540	75,457	37.8%
Other operating expenses	<u>16,308</u>	<u>12,927</u>	<u>3,381</u>	26.2%
Total operating expenses	<u>361,611</u>	<u>269,429</u>	<u>92,182</u>	34.2%
Operating income (loss)	<u>\$ 21,486</u>	<u>\$ (6,833)</u>	<u>\$ 28,319</u>	414.4%

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Interest income on mortgage loans, interest income on investments, fee income, and federal grant income represent the significant sources of operating revenue for the Authority.

Interest income on mortgage loans of \$48.7 million for 2007 increased compared to \$41.9 million for 2006. Interest income on investments of \$39.2 million for 2007 increased compared to \$25.0 million for 2006.

The increase in fair value of securities for 2007 was \$9.0 million compared to a decrease of \$15.3 million in 2006. This represents an increase in the overall fair value of investments held at December 31, 2007, compared to their fair value at December 31, 2006, due to the interest rate environment. Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the Authority to value its securities at fair value with the change in fair value reported as operating revenue. The change in the fair value of securities is an unrealized loss in market value and has no direct effect on actual cash flows.

Fee income of \$12.4 million for 2007 decreased compared to \$12.7 million in the prior year.

Total interest expense on bonds was \$69.0 million in 2007 compared to \$55.9 million in 2006.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling \$273.0 million in 2007.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**2008 Debt Administration**

Total current and noncurrent bonds payable, not including any original issue premium/(discount), as of December 31, 2008, was \$1,293.8 million, which decreased \$43.7 million compared to \$1,337.5 on December 31, 2007. This decrease was due to the \$203.5 million of repayments and redemptions of bonds previously issued by the Authority offset by issuance in 2008 of a series of mortgage revenue bonds under the Single Family Indenture totaling \$159.8 million. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following table summarizes the 2008 mortgage revenue bond issuances:

Single Family Mortgage Revenue Bonds	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch rating
2008 Series A	\$ 159,795,000	\$ _____	\$ 159,795,000	Aaa	AAA
Total	<u>\$ 159,795,000</u>	<u>\$ _____</u>	<u>\$ 159,795,000</u>		

At December 31, 2008, the Authority had one line of credit borrowing totaling \$350,000,000, which represents the maximum amount available under this agreement. This line of credit matures on May 29, 2009. The interest rate on this borrowing is 1.36%.

**2007 Debt Administration**

Total current and noncurrent bonds payable, not including any original issue premium/(discount), as of December 31, 2007, was \$1,337.5 million, which decreased \$140.6 million compared to \$1,478.1 on December 31, 2006. This decrease was due to the \$240.6 million of repayments and redemptions of bonds previously issued by the Authority offset by issuance in 2007 of a series of mortgage revenue bonds under the Single Family Indenture totaling \$100.0 million. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following table summarizes the 2007 mortgage revenue bond issuances:

Single Family Mortgage Revenue Bonds	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch rating
2007 Series A	\$ 70,000,000	\$ 30,000,000	\$ 100,000,000	Aaa	AAA
Total	<u>\$ 70,000,000</u>	<u>\$ 30,000,000</u>	<u>\$ 100,000,000</u>		

At December 31, 2007, the Authority had three line of credit borrowings totaling \$478,475,000, which represents the maximum amount available under these agreements. These lines of credits mature at various dates through December 16, 2008. Interest rates on these borrowings range from 3.91% to 85.5% of LIBOR.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*Economic Factors and Other Financial Information*

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

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

*Contacting the Authority's Financial Management*

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

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENTS OF NET ASSETS**  
December 31, 2008 and 2007

Assets	2008			Total	2007 Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund		
<b>Current Assets</b>					
Unrestricted cash and investments	\$ 63,444,050			\$ 63,444,050	\$ 73,581,629
Restricted cash and investments	363,264,136			363,264,136	494,928,953
Accrued interest receivable:					
Investments	429,358			429,358	1,089,302
Unrestricted accounts receivable and other assets	19,014,758			19,014,758	2,397,264
Restricted accounts receivable and other assets	3,287,152			3,287,152	2,899,081
<b>Total current assets</b>	<u>449,439,454</u>			<u>449,439,454</u>	<u>574,896,229</u>
<b>Noncurrent Assets</b>					
Restricted cash and investments	2,169	\$ 327,460,209		327,462,378	546,790,063
Mortgage loans receivable	719,794			719,794	890,886
Restricted mortgage loans receivable		1,156,621,718	\$ 734,000	1,157,355,718	941,614,992
Less unamortized commitment fees		(25,753)		(25,753)	(32,902)
<b>Net mortgage loans receivable</b>	<u>719,794</u>	<u>1,156,595,965</u>	<u>734,000</u>	<u>1,158,049,759</u>	<u>942,472,976</u>
Restricted accrued interest receivable:					
Investments		221,857		221,857	505,616
Mortgage loans	6,000	4,888,720		4,894,720	4,216,023
Deferred debt issuance costs, net	124,391	9,844,942		9,969,333	10,221,366
Capital assets, at cost, less accumulated depreciation	1,104,285			1,104,285	550,877
Interfund accounts	1,055,098	(1,055,098)			
<b>Total noncurrent assets</b>	<u>3,011,737</u>	<u>1,497,956,595</u>	<u>734,000</u>	<u>1,501,702,332</u>	<u>1,504,756,921</u>
<b>Total assets</b>	<u>\$ 452,451,191</u>	<u>\$ 1,497,956,595</u>	<u>\$ 734,000</u>	<u>\$ 1,951,141,786</u>	<u>\$ 2,079,653,150</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds payable		\$ 103,725,000	\$ 11,000	\$ 103,736,000	\$ 19,830,000
Line of credit borrowings	\$ 350,000,000			350,000,000	478,475,000
Accrued interest payable	171,889	28,847,978		29,019,867	33,821,477
Accounts payable and other liabilities	1,472,082			1,472,082	1,537,952
Commitment fee deposits	170,541			170,541	324,265
Other liabilities	8,079,908			8,079,908	16,414,190
<b>Total current liabilities</b>	<u>359,894,420</u>	<u>132,572,978</u>	<u>11,000</u>	<u>492,478,398</u>	<u>550,402,884</u>
<b>Noncurrent Liabilities</b>					
Bonds payable		1,189,305,000	723,000	1,190,028,000	1,317,694,000
Less original issue discount		(11,696)		(11,696)	(27,462)
Add original issue premium		11,187,875		11,187,875	12,851,823
<b>Net noncurrent bonds payable</b>		<u>1,200,481,179</u>	<u>723,000</u>	<u>1,201,204,179</u>	<u>1,330,518,361</u>
Other liabilities		1,198,070		1,198,070	35,397
<b>Total noncurrent liabilities</b>		<u>1,201,679,249</u>	<u>723,000</u>	<u>1,202,402,249</u>	<u>1,330,553,758</u>
<b>Total liabilities</b>	<u>359,894,420</u>	<u>1,334,252,227</u>	<u>734,000</u>	<u>1,694,880,647</u>	<u>1,880,956,642</u>
<b>Net Assets</b>					
Invested in capital assets	1,104,285			1,104,285	550,877
Restricted by bond indenture		163,704,368		163,704,368	118,515,065
Restricted by funding source	8,479,549			8,479,549	2,974,269
Unrestricted	82,972,937			82,972,937	76,656,297
<b>Total net assets</b>	<u>\$ 92,556,771</u>	<u>\$ 163,704,368</u>	<u>\$</u>	<u>\$ 256,261,139</u>	<u>\$ 198,696,508</u>

See accompanying notes to financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS  
December 31, 2008 and 2007

Assets	2007			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Current Assets</b>				
Unrestricted cash and investments	\$ 73,581,629			\$ 73,581,629
Restricted cash and investments	494,928,953			494,928,953
Accrued interest receivable:				
Investments	1,089,302			1,089,302
Unrestricted accounts receivable and other assets	2,397,264			2,397,264
Restricted accounts receivable and other assets	2,899,081			2,899,081
Total current assets	<u>574,896,229</u>			<u>574,896,229</u>
<b>Noncurrent Assets</b>				
Restricted cash and investments	28,175	\$ 546,761,888		546,790,063
Mortgage loans receivable	890,886			890,886
Restricted mortgage loans receivable		940,870,992	\$ 744,000	941,614,992
Less unamortized commitment fees	(5,979)	(26,923)		(32,902)
Net mortgage loans receivable	<u>884,907</u>	<u>940,844,069</u>	<u>744,000</u>	<u>942,472,976</u>
Restricted accrued interest receivable:				
Investments		505,616		505,616
Mortgage loans	7,250	4,208,773		4,216,023
Deferred debt issuance costs, net	153,659	10,067,707		10,221,366
Capital assets, at cost, less accumulated depreciation	550,877			550,877
Interfund accounts	1,057,636	(1,057,636)		
Total noncurrent assets	<u>2,682,504</u>	<u>1,501,330,417</u>	<u>744,000</u>	<u>1,504,756,921</u>
Total assets	\$ <u>577,578,733</u>	\$ <u>1,501,330,417</u>	\$ <u>744,000</u>	\$ <u>2,079,653,150</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Bonds payable		\$ 19,820,000	\$ 10,000	\$ 19,830,000
Line of credit borrowings	\$ 478,475,000			478,475,000
Accrued interest payable	645,883	33,175,594		33,821,477
Accounts payable and other liabilities	1,537,952			1,537,952
Commitment fee deposits	324,265			324,265
Other liabilities	16,414,190			16,414,190
Total current liabilities	<u>497,397,290</u>	<u>52,995,594</u>	<u>10,000</u>	<u>550,402,884</u>
<b>Noncurrent Liabilities</b>				
Bonds payable		1,316,960,000	734,000	1,317,694,000
Less original issue discount		(27,462)		(27,462)
Add original issue premium		12,851,823		12,851,823
Net noncurrent bonds payable		<u>1,329,784,361</u>	<u>734,000</u>	<u>1,330,518,361</u>
Other liabilities		35,397		35,397
Total noncurrent liabilities		<u>1,329,819,758</u>	<u>734,000</u>	<u>1,330,553,758</u>
Total liabilities	<u>497,397,290</u>	<u>1,382,815,352</u>	<u>744,000</u>	<u>1,880,956,642</u>
<b>Net Assets</b>				
Invested in capital assets	550,877			550,877
Restricted by bond indenture		118,515,065		118,515,065
Restricted by funding source	2,974,269			2,974,269
Unrestricted	76,656,297			76,656,297
Total net assets	\$ <u>80,181,443</u>	\$ <u>118,515,065</u>	\$ <u>744,000</u>	\$ <u>198,696,508</u>

See accompanying notes to financial statements.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2008 and 2007**

	2008			2007 Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Operating revenues:</b>				
Interest income on mortgage loans	\$ 77,651	\$ 56,457,555		\$ 56,535,206
Interest income on investments	20,221,024	18,329,864		38,550,888
Commitment fee amortization	5,979	1,170		7,149
Fee income	15,952,637			15,952,637
Federal and state program income	297,380,293			297,380,293
Net increase in fair value of investments	1,270,971	35,107,060		36,378,031
Other income	1,424,744			1,424,744
<b>Total operating revenues</b>	<u>336,333,299</u>	<u>109,895,649</u>		<u>446,228,948</u>
<b>Operating expenses:</b>				
Interest expense on bonds		59,349,778	\$ 19,008	59,368,786
Interest expense on bank loans	16,854,173			16,854,173
Amortization of debt issuance costs	29,268	1,390,288		1,419,556
Servicing fees on mortgage loans	2,755	12,716		15,471
Federal and state program expenses	293,812,233			293,812,233
Arbitrage expense		1,162,673		1,162,673
Bond call premium		199,650		199,650
General and administrative expenses	12,658,089	3,192,694		15,850,783
<b>Total operating expenses</b>	<u>323,356,518</u>	<u>65,307,799</u>	<u>19,008</u>	<u>388,683,325</u>
<b>Operating income (loss)</b>	<u>12,976,781</u>	<u>44,587,850</u>	<u>(19,008)</u>	<u>57,545,623</u>
<b>Nonoperating revenues:</b>				
Other			19,008	19,008
<b>Total nonoperating revenues</b>			<u>19,008</u>	<u>19,008</u>
Income before transfers	12,976,781	44,587,850		57,564,631
Transfers	(601,453)	601,453		
<b>Change in net assets</b>	<u>12,375,328</u>	<u>45,189,303</u>		<u>57,564,631</u>
Net assets, beginning of year	80,181,443	118,515,065		198,696,508
Net assets, end of year	\$ <u>92,556,771</u>	\$ <u>163,704,368</u>	\$ _____	\$ <u>256,261,139</u>

*See accompanying notes to financial statements.*

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2008 and 2007**

	2007			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Operating revenues:</b>				
Interest income on mortgage loans	\$ 104,529	\$ 48,569,671		\$ 48,674,200
Interest income on investments	4,610,565	34,571,347		39,181,912
Commitment fee amortization	1,923	7,151		9,074
Fee income	12,377,240			12,377,240
Federal program income	272,996,562			272,996,562
Net increase in fair value of investments	683,752	8,276,002		8,959,754
Other income	898,152			898,152
<b>Total operating revenues</b>	<u>291,672,723</u>	<u>91,424,171</u>		<u>383,096,894</u>
<b>Operating expenses:</b>				
Interest expense on bonds		68,658,875	\$ 350,296	\$ 69,009,171
Interest expense on bank loans	1,296,752			1,296,752
Amortization of debt issuance costs	29,268	1,029,385		1,058,653
Servicing fees on mortgage loans	3,720	15,848		19,568
Federal program expenses	274,996,562			274,996,562
General and administrative expenses	11,976,374	3,253,761		15,230,135
<b>Total operating expenses</b>	<u>288,302,676</u>	<u>72,957,869</u>	<u>350,296</u>	<u>361,610,841</u>
<b>Operating income (loss)</b>	<u>3,370,047</u>	<u>18,466,302</u>	<u>(350,296)</u>	<u>21,486,053</u>
<b>Nonoperating revenues:</b>				
Other			350,296	350,296
<b>Total nonoperating revenues</b>			<u>350,296</u>	<u>350,296</u>
<b>Income before transfers</b>	<u>3,370,047</u>	<u>18,466,302</u>		<u>21,836,349</u>
<b>Transfers</b>	<u>(420,847)</u>	<u>420,847</u>		
<b>Change in net assets</b>	<u>2,949,200</u>	<u>18,887,149</u>		<u>21,836,349</u>
<b>Net assets, beginning of year</b>	<u>77,232,243</u>	<u>99,627,916</u>		<u>176,860,159</u>
<b>Net assets, end of year</b>	\$ <u>80,181,443</u>	\$ <u>118,515,065</u>	\$ <u>350,296</u>	\$ <u>198,696,508</u>

*See accompanying notes to financial statements.*

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2008 and 2007

	2008			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Cash flows from operating activities:</b>				
Cash receipts for services	\$ 12,812,024			\$ 12,812,024
Interest income on mortgage loans	78,901	\$ 55,777,608		55,856,509
Principal repayments on mortgage loans	171,092	143,551,004		143,722,096
Interest received on investments	20,880,968	18,613,623		39,494,591
Federal revenue	297,380,293			297,380,293
Federal expenses	(293,812,233)			(293,812,233)
Purchases of mortgage loans		(359,601,730)		(359,601,730)
Cash payments to suppliers	(22,364,301)	(3,405,060)		(25,769,361)
Cash payments to employees	(3,875,434)			(3,875,434)
Interfund transfers	(598,915)	598,915		
Net cash provided by (used in) operating activities	<u>10,672,395</u>	<u>(144,465,640)</u>		<u>(133,793,245)</u>
<b>Cash flows from noncapital financing activities:</b>				
Proceeds from bond issues		159,795,000		159,795,000
Debt issuance costs incurred		(1,167,523)		(1,167,523)
Repayments and redemption of bonds and bank loans	(128,475,000)	(203,330,000)	\$ (10,000)	(331,815,000)
Interest paid on bonds and bank loans	(17,328,167)	(63,677,394)	(19,008)	(81,024,569)
Contribution from Pedcor			29,008	29,008
Net cash (used in) noncapital financing activities	<u>(145,803,167)</u>	<u>(108,379,917)</u>		<u>(254,183,084)</u>
<b>Cash flows from investing activities:</b>				
Purchases of investments	(10,500,000)			(10,500,000)
Proceeds from sales or maturities of investments	137,119,032	146,509,960		283,628,992
Net cash provided by investing activities	<u>126,619,032</u>	<u>146,509,960</u>		<u>273,128,992</u>
Decrease in cash and cash equivalents	(8,511,740)	(106,335,597)		(114,847,337)
Cash and cash equivalents, beginning of year	41,056,469	177,399,894		218,456,363
Cash and cash equivalents, end of year	<u>\$ 32,544,729</u>	<u>\$ 71,064,297</u>	<u>\$</u>	<u>\$ 103,609,026</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
Years Ended December 31, 2008 and 2007

	2008			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
Reconciliation of cash and cash equivalents:				
Current unrestricted cash and investments as presented in the statement of net assets	\$ 63,444,050			\$ 63,444,050
Restricted cash and investments as presented in the statement of net assets	<u>363,266,305</u>	<u>\$ 327,460,209</u>		<u>690,726,514</u>
Total cash and investments as presented in the statement of net assets	426,710,355	327,460,209		754,170,564
Less: investments with maturities greater than three months	<u>394,165,626</u>	<u>256,395,912</u>		<u>650,561,538</u>
Cash and cash equivalents as presented in the statement of cash flows	<u>\$ 32,544,729</u>	<u>\$ 71,064,297</u>		<u>\$103,609,026</u>
Reconciliation of operating income (loss) to net cash provided (used in) operating activities:				
Operating income (loss)	\$ 12,976,781	44,587,850	\$ (19,008)	\$ 57,545,623
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:				
Change in fair value of investments	(1,270,971)	(35,107,060)		(36,378,031)
Interest on bonds and bank loans	16,854,173	59,349,778	19,008	76,222,959
Amortization and write-off of debt issuance costs and discount amortization	29,268	1,390,288		1,419,556
Amortization of nonrefundable fee income	(5,979)	(1,170)		(7,149)
Depreciation	345,474	199,650		545,124
Changes in assets and liabilities:				
Commitment fee deposits	(153,724)			(153,724)
Purchases of mortgage loans		(359,601,730)		(359,601,730)
Principal repayments on mortgage loans	171,092	143,825,348		143,996,440
Accrued interest receivable on loans/investments	661,194	(396,188)		265,006
Other assets	(17,005,565)			(17,005,565)
Accounts payable and other liabilities	(1,804,427)	1,162,673		(641,754)
Interfund accounts	2,538	(2,538)		
Interfund transfer	<u>(601,453)</u>	<u>601,453</u>		
Net cash provided by (used in) operating activities	<u>\$ 10,198,401</u>	<u>\$ (143,991,646)</u>	<u>\$</u>	<u>\$ (133,793,245)</u>

See accompanying notes to financial statements.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2008 and 2007**

	2007			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Cash flows from operating activities:</b>				
Cash receipts for services	\$ 10,811,478			\$ 10,811,478
Interest income on mortgage loans	106,529	\$ 48,143,673		48,250,202
Principal repayments on mortgage loans	203,094	104,046,914		104,250,008
Interest received on investments	4,010,822	35,257,664		39,268,486
Federal revenue	272,996,562			272,996,562
Federal expenses	(274,996,562)			(274,996,562)
Purchases of mortgage loans		(204,159,290)		(204,159,290)
Cash payments to suppliers	(6,890,218)	(3,228,602)		(10,118,820)
Cash payments to employees	(3,274,196)			(3,274,196)
Interfund transfers	466,372	(466,372)		
<b>Net cash provided by (used in) operating activities</b>	<u>3,433,881</u>	<u>(20,406,013)</u>		<u>(16,972,132)</u>
<b>Cash flows from noncapital financing activities:</b>				
Proceeds from bond issues	478,475,000	100,489,092		578,964,092
Debt issuance costs incurred		(828,992)		(828,992)
Repayments and redemption of bonds and bank loans		(231,930,000)	\$ (8,667,000)	(240,597,000)
Interest paid on bonds and bank loans	(1,296,752)	(65,348,304)	(350,296)	(66,995,352)
Contribution from Pedcor			9,017,296	9,017,296
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>477,178,248</u>	<u>(197,618,204)</u>		<u>279,560,044</u>
<b>Cash flows from capital financing activities:</b>				
Purchases of capital assets	(508,741)			(508,741)
<b>Net cash used in capital financing activities</b>	<u>(508,741)</u>			<u>(508,741)</u>
<b>Cash flows from investing activities:</b>				
Purchases of investments	(506,317,923)			(506,317,923)
Proceeds from sales or maturities of investments	27,810,283	320,900,784		348,711,067
<b>Net cash provided by (used in) investing activities</b>	<u>(478,507,640)</u>	<u>320,900,784</u>		<u>(157,606,856)</u>
Increase in cash and cash equivalents	1,595,748	102,876,567		104,472,315
Cash and cash equivalents, beginning of year	39,460,721	74,523,327		113,984,048
Cash and cash equivalents, end of year	\$ <u>41,056,469</u>	\$ <u>177,399,894</u>	\$ _____	\$ <u>218,456,363</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**Years Ended December 31, 2008 and 2007**

	2007			Total
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	
<b>Reconciliation of cash and cash equivalents:</b>				
Current unrestricted cash and investments as presented in the statement of net assets	\$ 73,581,629			\$ 73,581,629
Restricted cash and investments as presented in the statement of net assets	<u>494,957,128</u>	<u>\$ 546,761,888</u>		<u>1,041,719,016</u>
Total cash and investments as presented in the statement of net assets	568,538,757	546,761,888		1,115,300,645
Less: investments with maturities greater than three months	<u>527,482,288</u>	<u>369,361,994</u>		<u>896,844,282</u>
Cash and cash equivalents as presented in the statement of cash flows	<u>\$ 41,056,469</u>	<u>\$ 177,399,894</u>		<u>\$ 218,456,363</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 3,370,047	\$ 18,466,302	\$ (350,296)	\$ 21,486,053
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Change in fair value of investments	(683,752)	(8,276,002)		(8,959,754)
Interest on bonds and bank loans		68,658,875	350,296	69,009,171
Amortization and write-off of debt issuance costs and discount amortization	29,268	1,029,385		1,058,653
Amortization of nonrefundable fee income	(1,923)	(7,151)		(9,074)
Depreciation	108,188			108,188
Changes in assets and liabilities:				
Commitment fee deposits	(31,785)			(31,785)
Purchases of mortgage loans		(204,159,290)		(204,159,290)
Principal repayments on mortgage loans	203,094	104,046,914		104,250,008
Accrued interest receivable on loans/investments	(597,743)	260,319		(337,424)
Other assets	(1,243,565)	41,007		(1,202,558)
Accounts payable and other liabilities	1,815,680			1,815,680
Interfund accounts	887,219	(887,219)		
Interfund transfer	<u>(420,847)</u>	<u>420,847</u>		
Net cash provided by (used) in operating activities	<u>\$ 3,433,881</u>	<u>\$ (20,406,013)</u>	<u>\$</u>	<u>\$ (16,972,132)</u>

*See accompanying notes to financial statements.*

# INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS

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 Indiana Finance Authority. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's Financial Statements as determined by the Indiana State Board of Accounts.

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, liabilities, net assets, revenues and expenses as appropriate. The Authority's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled. Each of the Authority's funds described below is considered a major fund.

#### *General Fund*

The General Fund was established by the Authority to account for all fee income and charges that are not required to be recorded in other funds and for operating expenses of the Authority. In addition, this fund accounts for the federal grant activity related to various Federal programs administered by the Authority. In 2008 and 2007, the Authority elected to set aside \$8,409,953 and \$57,123,404, respectively, of its single family bonding authority for the issuance of Mortgage Credit Certificates primarily to first-time home buyers.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS (CONTINUED)**

*Single Family Mortgage Program Fund*

The Single Family Mortgage Program Fund provides for the purchase of mortgage loans made to eligible borrowers for owner occupied housing. Borrowers meeting certain income guidelines may qualify under the Authority's First Home Plus Program. This program is facilitated by a Down Payment Assistance Program funded by federal HOME Investment Partnerships Program funds which allows the borrower to receive up to 10% of down payment assistance money. This down payment assistance money is in the form of a non-amortizing second mortgage at a 0% interest rate, which must be repaid in full upon refinancing of the original mortgage or sale of the home.

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.

*Multi-Unit Mortgage Program Fund*

This fund, established in 1982 under the Multi-Unit Mortgage Program Resolution, uses bond proceeds to provide construction and long-term financing for certain federally assisted multi-unit housing developments intended for occupancy by families and persons of low and moderate incomes. The Authority has issued four series of Multi-Unit Program Bonds and is the special purpose issuer for two series (see Note 6).

The Multi-Family Housing Mortgage Revenue Bonds are limited and special obligations of the Authority payable solely from the payments on the mortgage note, certain other payments under the Building Loan Agreement made by the owner and required debt service reserves of the issue. Neither the Bonds nor the obligation to pay the principal or interest thereon constitutes an indebtedness of the Authority or the State of Indiana.

In August 1997, the Authority, as a special purpose issuer, issued \$10,000,000 of Multi-Family Housing Mortgage Revenue Bonds (Cumberland Crossing) under a separate closed indenture, which are included in these financial statements as the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds were used to originate a mortgage loan to construct a new multi-family residential rental facility containing 232 apartment units. The expended funds are subject to the terms of a loan agreement dated July 1, 1997, and the bonds are secured by two letters of credit issued by the Federal Home Loan Bank that expire August 21, 2014. Pedcor Investments 1997 XXX LP (Pedcor) is responsible for the bond payments from a source of funds outside of the Authority. During 2008 and 2007, Pedcor contributed \$19,008 and \$350,296, respectively, in order for the full amount of the bond payments to be made. In addition, \$10,000 of outstanding bond payable was paid off during 2008.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(a) Basis of Presentation*

The Authority's financial statements have been prepared on the accrual basis of accounting and using the economic resource management focus. Accordingly, the Authority recognizes revenue in the period earned and expenses in the period incurred.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

*(b) Investment Securities*

The Authority reports its investments securities at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool*, (Statement No. 31). Statement No. 31 requires investment securities, including mortgage-backed securities, to be recorded at fair value and the unrealized gains or losses reported in the Statement of Revenues, Expenses and Changes in Net Assets. Realized gains or losses were computed as the difference between the proceeds of investment sales and the original cost of the investments sold. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in prior years and the current year. The realized gain in the General Fund amounted to \$130,314 and realized loss amounted to \$58,791 for the years ended December 31, 2008 and 2007, respectively.

Following is a summary of the effects of valuing investment securities at fair value on total assets, net assets and change in net assets for 2008 and 2007:

	Total Assets			
	2008		2007	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 452,451,191	\$ 450,992,364	\$ 577,578,733	\$ 577,260,562
Single Family Mortgage Program Fund	1,497,956,595	1,466,439,731	1,501,330,417	1,504,920,614
Multi-Unit Mortgage Program Fund	734,000	734,000	744,000	744,000
Total	<u>\$ 1,951,141,786</u>	<u>\$ 1,918,166,095</u>	<u>\$ 2,079,653,150</u>	<u>\$ 2,082,925,176</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	Net Assets			
	2008		2007	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 92,556,771	\$ 91,097,943	\$ 80,181,443	\$ 79,863,272
Single Family Mortgage Program Fund	163,704,368	132,187,504	118,515,065	122,105,262
Total	\$ 256,261,139	\$ 223,285,447	\$ 198,696,508	\$ 201,968,534

	Income (Loss) Before Transfers			
	2008		2007	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 12,976,781	\$ 11,836,124	\$ 3,370,047	\$ 2,627,504
Single Family Mortgage Program Fund	44,587,850	9,480,790	18,466,302	10,190,300
Total	\$ 57,564,631	\$ 21,316,914	\$ 21,836,349	\$ 12,817,804

**(c) Bond Issuance Costs**

Bond issuance costs are deferred and amortized over the contractual life of the respective bond issue based on the interest method.

**(d) Original Issue Discounts**

Original issue discounts on bonds are amortized using the interest method, over the life of the bonds to which they relate.

**(e) Original Issue Premiums**

Original issue premiums on bonds are accreted using the interest method, over the life of the bonds to which they relate.

**(f) Capital Assets**

Capital assets consist primarily of office furniture and equipment in the General Fund which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from three to seven years.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A summary of capital assets (in thousands) being depreciated follows:

	Balance at December 31, 2007	Increases	Decreases	Balance at December 31, 2008
Building improvements	\$ 45			\$ 45
Furniture and equipment	2,342	\$ 905	\$ 7	3,240
Total accumulated depreciation	(1,836)	(345)		(2,181)
Total capital assets being depreciated, net of accumulated depreciation	<u>\$ 551</u>	<u>\$ 560</u>	<u>\$ 7</u>	<u>\$ 1,104</u>

	Balance at December 31, 2006	Increases	Decreases	Balance at December 31, 2007
Building improvements	\$ 45			\$ 45
Furniture and equipment	1,833	\$ 509		2,342
Total accumulated depreciation	(1,728)	(108)		(1,836)
Total capital assets being depreciated, net of accumulated depreciation	<u>\$ 150</u>	<u>\$ 401</u>		<u>\$ 551</u>

**(g) Fair Value of Financial Instruments**

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

**(h) 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.

**(i) Fee Income**

Nonrefundable fees received (commitment and buy-down fees) in excess of direct costs associated with originating mortgage loans are deferred and recognized over the life of the mortgage loans. Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Low Income 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.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) *Provision for Possible Loan Losses***

No provision for possible loan losses has been made because the Authority has purchased mortgage pool insurance on its loans, or they are fully insured by the FHA, as described in Note 5. The remaining loans have been pooled into Fannie Mae, Freddie Mac, or GNMA mortgage-backed securities that ensure the timely payment of principal and interest on the underlying mortgage loans.

**(k) *Allocation of Expenses Among Funds***

The Single Family and Multi-Unit Mortgage Programs provide that funds may be transferred to the General Fund for the purpose of paying reasonable and necessary program expenses.

**(l) *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.

**(m) *Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States 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.

**(n) *Net Assets***

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

- *Invested in Capital Assets* – resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted by Bond Indenture* – net assets subject to externally imposed stipulations as to use. These net assets are restricted to use for the purposes of the Authority's loan program projects.
- *Unrestricted* – net assets which are available for use of the Authority.
- *Restricted by Funding Source* – net assets subject to externally imposed stipulations as to use. These net assets are restricted for use for the purposes of certain loan programs.

**(o) *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.

**(p) *Reclassifications***

Certain reclassifications have been made to the financial statements to conform to the current year presentation.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***(g) Change in Accounting Treatment for Overdraws of Section 8 Housing Assistance Fund***

Pursuant to HUD issued notice PIH 2006-03 which among other things, changed the regulatory requirements for the overdraws of Section 8 voucher funds. The Notice PIH 2006-03, and subsequent interpretive guidance issued by HUD, requires Section 8 voucher funds to be reported as restricted net assets in the Financial Data Schedule filings. The Authority changed its treatment of Section 8 overdraws in 2008 by including them in net assets restricted by funding source.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

The Trust Indentures between the Authority and the Program Trustee established special accounts for the segregation of assets and restriction of the use of bond proceeds and certain other funds received. As of December 31, 2008 and 2007, the assets of all accounts equaled or exceeded the requirements as established by the Indentures. Such assets are restricted for the following purposes:

	December 31, 2008		December 31, 2007	
	General Fund	Single Family Mortgage Program Fund	Total	Total
Refundable Reservation Fee Escrow Accounts	\$ 170,541	\$ 170,541	\$ 324,265	
Loan or Bond Proceeds Accounts - Payment of issuance costs and purchase of qualified mortgage loans		\$ 146,700,053	347,847,177	
Revenue Accounts - Deposit of Program revenues for debt service payments and Program expense disbursements		169,073,531	178,271,412	
Mortgage Reserve Accounts - Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement		2,248,959	2,325,406	
Debt Service Reserve Accounts - Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds		9,437,666	18,344,033	
Loan Loss Escrow Account - Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	2,169	2,169	2,035	
Draw downs on line of credit	350,000,000	350,000,000	478,475,000	
Federal programs funds	11,261,446	11,261,446	15,168,253	
State programs funds	1,832,149	1,832,149	961,435	
	<u>\$ 363,266,305</u>	<u>\$ 327,460,209</u>	<u>\$ 1,041,719,016</u>	

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

**NOTE 3 - RESTRICTED CASH AND INVESTMENTS**

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	December 31, 2007			December 31, 2006	
	General Fund	Single Family Mortgage Program Fund	Total	Total	Total
Refundable Reservation Fee Escrow Accounts	\$ 324,265		\$ 324,265	\$ 324,265	\$ 356,050
Loan or Bond Proceeds Accounts - Payment of issuance costs and purchase of qualified mortgage loans		\$ 347,847,177	\$ 347,847,177	\$ 347,847,177	\$ 592,786,462
Revenue Accounts - Deposit of Program revenues for debt service payments and Program expense disbursements		178,271,412	178,271,412	178,271,412	146,465,408
Mortgage Reserve Accounts - Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement	26,140		26,140	2,325,406	2,376,254
Debt Service Reserve Accounts - Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds		18,344,033	18,344,033	18,344,033	22,449,237
Loan Loss Escrow Account - Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	2,035		2,035	2,035	1,837
Draw downs on line of credit	478,475,000		478,475,000	478,475,000	16,529,473
Federal programs funds	15,168,253		15,168,253	15,168,253	849,342
State programs funds	961,435		961,435	961,435	849,342
	<u>\$ 494,957,128</u>	<u>\$ 546,761,888</u>	<u>\$ 1,041,719,016</u>	<u>\$ 1,041,719,016</u>	<u>\$ 781,814,063</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CASH AND INVESTMENTS**

A summary of cash and investments as of December 31 follows:

	2008		2007	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Cash and money market funds	\$ 103,808,676	\$ 103,808,676	\$ 218,456,364	\$ 218,456,364
Certificates of deposit	350,800,000	350,800,000	450,800,000	450,800,000
U.S. Treasury Bonds and Notes	1,215,518	820,000	12,519,636	10,317,508
Federal agency obligations	88,552,946	85,642,039	79,721,818	79,333,178
Guaranteed investment contracts and other	<u>209,793,424</u>	<u>209,793,424</u>	<u>353,802,827</u>	<u>353,802,827</u>
	<u>\$ 754,170,564</u>	<u>\$ 750,864,139</u>	<u>\$ 1,115,300,645</u>	<u>\$ 1,112,709,877</u>

**Investment Policy**

*General*

Indiana Code 5-20-1 authorizes the Authority to invest in obligations of the state, the United States, or heir 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 of America, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2008, all investments held by the Authority were in compliance with the requirements of the Indentures.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CASH AND INVESTMENTS (CONTINUED)**

**Investment Type and Interest Rate Risk Disclosure**

As of December 31, 2008, the Authority had the following investments and maturities. (Amounts are in thousands.)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 350,800	\$ 350,800			
U.S. Treasuries	1,216			\$	\$ 1,216
U.S. agencies	88,553	1,062	\$ 12,767		74,724
Guaranteed Investment Contracts	209,793	115,000			94,793
<b>Total</b>	<b>\$ 650,362</b>	<b>\$ 466,862</b>	<b>\$ 12,767</b>	<b>\$ -</b>	<b>\$ 170,733</b>

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$754.2 million in investments, \$18.6 million includes bank balances that are not collateralized or insured but were held by the Authority's banks at December 31, 2008.

**Credit Risk Disclosure**

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

	S & P	Fitch	Moody's	Fair Value
Bonds	AAA	AAA	Aaa	\$ 88,553
Guaranteed Investment Contracts	unrated	unrated	unrated	209,793
<b>Total Rated Investments</b>				<b>\$ 298,346</b>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The Authority places no limit on the amount the Authority may invest in any one issuer. The following table shows investments in issuers that represent 5 percent or more of total investments.

Issuer	Percent of Total Investments
JP Morgan Chase	46.41%
Security Life GIC	15.25%
Pallas Capital Corp GIC	7.83%
GNMA	6.52%

**NOTE 5 - MORTGAGE LOANS RECEIVABLE**

The Single Family Mortgage Program requires that mortgage loans shall be made to borrowers whose adjusted family income does not exceed 125% of the median income for the borrower's geographic area. At least 40% of the mortgage loans purchased by the Authority must be loans to borrowers whose income is below 80% of the median income for the borrower's geographic area. In addition, Section 103A of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower.

The Single Family Mortgage Program Bond Trust Indenture requires that all mortgage loans be insured by the FHA, VA or, if the loan to value ratio is greater than 80%, by an approved private mortgage insurer.

The Indenture also requires pool insurance ranging from 10% to 25% of the initial principal amount of mortgage loans to be purchased. The Authority has obtained mortgage pool insurance covering any potential net losses on all mortgage loans financed from the proceeds of the 1980 through 1987 Single Family Mortgage Program bonds.

The proceeds of the 1992 through 2008 Single Family bonds were used to purchase GNMA and FNMA certificates collateralized by mortgage loans approved under the guidelines of the Single Family Mortgage Program.

The mortgages in the Cumberland Crossing Series are secured by one letter of credit.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - MORTGAGE LOANS RECEIVABLE**

The financing periods of the mortgage loans financed through the Single Family Mortgage Programs vary in duration from twenty-five to thirty years (principally thirty years). The financing rates at December 31, 2008, were as follows:

<u>Single Family Mortgage Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
1985 Series B	7.875% to 13.875%	
1997 Series D	6.835% to 7.210%	6.250% to 6.700%
1998 Series A	6.000% to 6.875%	5.415% to 6.375%
1998 Series D	6.000% to 8.800%	5.415% to 5.500%
1999 Series A	6.000% to 7.750%	5.415% to 7.250%
1999 Series X	6.000% to 8.900%	5.415% to 8.400%
1999 Series Y	6.250% to 8.900%	5.750% to 8.400%
1999 Series Z	6.000% to 7.750%	5.415% to 7.250%
2000 Series A	6.500% to 8.000%	6.000% to 7.500%
2000 Series B	6.250% to 8.350%	5.665% to 7.850%
2000 Series C	6.500% to 8.540%	5.915% to 8.040%
2000 Series D	6.250% to 8.540%	5.665% to 8.040%
2001 Series A	6.500% to 7.250%	5.915% to 6.750%
2001 Series B	6.250% to 7.500%	5.665% to 7.000%
2001 Series C	6.250% to 6.585%	5.665% to 6.000%
2002 Series A	6.000% to 7.250%	5.500% to 6.750%
2002 Series B	6.250% to 6.500%	5.665% to 6.000%
2002 Series C	5.750% to 6.500%	5.250% to 5.915%
2002 Series D	5.500% to 6.250%	4.915% to 5.750%
2003 Series A	5.250% to 6.250%	4.665% to 5.750%
2003 Series B	5.250% to 6.250%	4.665% to 5.750%
2003 Series C	5.500% to 6.000%	4.915% to 5.500%
2003 Series D	5.150% to 6.000%	4.650% to 5.415%

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - MORTGAGE LOANS RECEIVABLE (CONTINUED)**

<u>Single Family Mortgage Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
2004 Series A	5.150% to 6.000%	4.565% to 5.500%
2004 Series B	5.500% to 6.250%	4.915% to 5.750%
2004 Series C	4.990% to 5.750%	4.405% to 5.250%
2005 Series A	4.990% to 6.625%	4.490% to 6.040%
2005 Series B	4.990% to 5.750%	4.405% to 5.250%
2005 Series C	4.990% to 6.625%	4.405% to 6.125%
2006 Series A	4.990% to 6.625%	4.415% to 6.125%
2006 Series B	5.250% to 7.535%	4.665% to 6.950%
2006 Series C	5.125% to 6.625%	4.575% to 6.125%
2006 Series D	5.125% to 6.375%	4.540% to 5.875%
2007 Series A	5.125% to 6.375%	4.540% to 5.875%
2008 Series A	5.125% to 6.460%	4.625% to 5.875%

GNMA and FNMA certificates, which are included in the mortgage loan receivable balances, are presented in the statement of net assets at fair value in accordance with the requirements of GASB Statement No. 31. All other loans are carried at cost. The table below summarizes the carrying value and cost of mortgage loans receivable.

	<b>2008</b>	
	<u>Carrying value</u>	<u>Cost</u>
General Fund	\$ 719,794	\$ 719,794
Single Family Mortgage Program Fund	1,156,621,718	1,126,952,452
Multi-Unit Mortgage Program Fund	734,000	734,000
Total	<u>\$ 1,158,075,512</u>	<u>\$ 1,128,406,246</u>

	<b>2007</b>	
	<u>Carrying value</u>	<u>Cost</u>
General Fund	\$ 890,886	\$ 890,886
Single Family Mortgage Program Fund	940,870,992	946,733,786
Multi-Unit Mortgage Program Fund	744,000	744,000
Total	<u>\$ 942,505,878</u>	<u>\$ 948,368,672</u>

**NOTE 6 - BONDS PAYABLE**

Bonds payable at December 31, 2008 and 2007 consist of (dollars in thousands):

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
1992 A Refunding:			
Serial bonds (6.35%), due 2002	\$ 17,740		
Term bonds (6.60%), due 2005	8,775		
Term bonds (6.75%), due 2010	16,885	\$	5,875
Term bonds (6.80%), due 2017	38,745		24,725
	<u>82,145</u>	<u>---</u>	<u>30,600</u>
1997 Series A-1:			
Term bonds (5.10%), due 2017	8,870		1,025
	<u>8,870</u>	<u>---</u>	<u>1,025</u>
1997 Series A-2:			
Serial bonds (5.30% to 5.40%), due 2007 - 2008	7,115		135
Term bonds (6.00%), due 2019	3,710		670
Term bonds (6.10%), due 2022	4,765		855
Term bonds (6.10%), due 2028	10,000		1,770
	<u>25,590</u>	<u>---</u>	<u>3,430</u>
1997 Series B-2:			
Term bonds (6.00%), due 2016	3,025		335
Term bonds (6.125%), due 2027	11,890		1,310
Term bonds (6.15%), due 2030	5,085		560
	<u>20,000</u>	<u>---</u>	<u>2,205</u>
1997 Series C-1:			
Taxable term bond (floating rate), due 2027	8,940		
	<u>8,940</u>	<u>---</u>	<u>---</u>
1997 Series C-2:			
Term bonds (5.70%), due 2016	1,905		280
	<u>1,905</u>	<u>---</u>	<u>280</u>
1997 Series C-3:			
Serial bonds (5.25%), due 2005 - 2006	1,060		
Term bonds (5.85%), due 2014	4,460		605
Term bonds (5.95%), due 2029	18,635		2,735
	<u>24,155</u>	<u>---</u>	<u>3,340</u>
1997 Series D-1:			
Taxable term bonds (6.94%), due 2019	14,680		
	<u>14,680</u>	<u>---</u>	<u>---</u>
1997 Series D-2:			
Term bonds (5.85%), due 2020	960	\$ 430	490
Term bonds (5.875%), due 2024	6,450	2,865	3,310
Term bonds (5.90%), due 2027	4,840	2,145	2,480
Term bonds (5.90%), due 2030	8,070	3,580	4,135
	<u>20,320</u>	<u>9,020</u>	<u>10,415</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
1998 Series A-1:			
Taxable term bonds (6.18%), due 2029	\$ 7,035	\$	75
	<u>7,035</u>	<u>—</u>	<u>75</u>
1998 Series A-2:			
Serial bonds (4.85% to 4.95%), due 2010 – 2011	875	\$ 275	325
Term bonds (5.15%), due 2017	5,625	1,855	2,090
	<u>6,500</u>	<u>2,130</u>	<u>2,415</u>
1998 Series A-3:			
Serial bonds (4.80% to 5.05%), due 2008 – 2010	4,665	430	710
Term bonds (5.375%), due 2023	7,000	2,300	2,595
Term bonds (5.375%), due 2029	9,800	3,230	3,645
	<u>21,465</u>	<u>5,960</u>	<u>6,950</u>
1998 Series B-1:			
Taxable term bonds (6.45%), due 2029	15,000		2,300
	<u>15,000</u>	<u>—</u>	<u>2,300</u>
1998 Series B-2:			
Term bonds (5.40%), due 2017	4,285		870
	<u>4,285</u>	<u>—</u>	<u>870</u>
1998 Series B-3:			
Serial bonds (5.00% to 5.20%), due 2007– 2010	3,035		305
Term bonds (5.55%), due 2025	8,860		1,810
Term bonds (5.55%), due 2030	10,000		2,015
	<u>21,895</u>	<u>—</u>	<u>4,130</u>
1998 Series C-1:			
Taxable term bonds (6.07%), due 2025	7,300		
	<u>7,300</u>		
1998 Series C-2:			
Term bonds (5.25%), due 2017	3,710		1,180
	<u>3,710</u>	<u>—</u>	<u>1,180</u>
1998 Series C-3:			
Serial bonds (4.75% to 5.15%), due 2007– 2011	4,730		825
Term bonds (5.30%), due 2013	1,655		530
Term bonds (5.45%), due 2028	270		95
Term bonds (4.75%), due 2028	5,000		
Term bonds (5.45%), due 2029	13,425		4,300
	<u>25,080</u>	<u>—</u>	<u>5,750</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
1998 Series D-1:			
Term bonds (5.15%), due 2017	\$ 3,710		
	<u>3,710</u>		
1998 Series D-2:			
Serial bonds (4.40% to 4.90%), due 2005 - 2010	3,720		
Term bonds (5.25%), due 2028	10,000	\$ 8,210	\$ 9,150
Term bonds (5.35%), due 2028	145		
Term bonds (4.625%), due 2030	13,000		
Term bonds (5.35%), due 2030	4,195		
	<u>31,060</u>	<u>8,210</u>	<u>9,150</u>
1999 Series A-1:			
Term bonds (5.05%), due 2017	4,280	785	960
	<u>4,280</u>	<u>785</u>	<u>960</u>
1999 Series A-2:			
Serial bonds (4.50% to 5.00%), due 2008 - 2012	5,035	350	545
Term bonds (5.25%), due 2029	235	45	55
Term bonds (4.70%), due 2030	8,000		
Term bonds (5.25%), due 2030	17,450	3,215	3,925
	<u>30,720</u>	<u>3,610</u>	<u>4,525</u>
1999 Series X-1:			
Taxable PAC bonds (5.96%), due 2030	10,000		435
	<u>10,000</u>	<u>---</u>	<u>435</u>
1999 Series X-2:			
Serial bonds (4.50% to 5.00%), due 2008 - 2012	2,725	185	205
Term bonds (5.15%), due 2019	4,900	470	475
Term bonds (4.55%), due 2031	9,000		845
Term bonds (5.30%), due 2031	15,035	1,425	1,445
	<u>31,660</u>	<u>2,080</u>	<u>2,970</u>
1999 Series Y-1:			
Taxable PAC bonds (6.86%), due 2031	15,000	1,195	2,625
	<u>15,000</u>	<u>1,195</u>	<u>2,625</u>
1999 Series Y-2:			
Term bonds (5.35%), due 2014	1,290	90	105
Term bonds (5.50%), due 2020	4,655	320	375
	<u>5,945</u>	<u>410</u>	<u>480</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
1999 Series Y-3:			
Serial bonds (4.90% to 5.35%), due 2008 - 2012	\$ 2,955	\$ 160	\$ 200
PAC bonds (5.05%), due 2031	7,650		
Term bonds (5.65%), due 2031	14,635	1,000	1,175
	<u>25,240</u>	<u>1,160</u>	<u>1,375</u>
1999 Series Z-1:			
Taxable PAC bonds (7.09%), due 2030	13,000	200	1,740
	<u>13,000</u>	<u>200</u>	<u>1,740</u>
1999 Series Z-2:			
Term bonds (5.55%), due 2013	545		
	<u>545</u>		
1999 Series Z-3:			
Serial bonds (4.75% to 5.70%), due 2004 - 2012	2,710		
Term bonds (5.95%), due 2019	3,475		
Term bonds (5.65%), due 2031	5,040	85	295
Term bonds (6.05%), due 2030	13,165		
Term bonds (6.05%), due 2031	1,780		
	<u>26,170</u>	<u>85</u>	<u>295</u>
2000 Series A-1:			
Taxable PAC bonds (7.75%), due 2031	15,000	1,150	1,795
	<u>15,000</u>	<u>1,150</u>	<u>1,795</u>
2000 Series A-2:			
Term bonds (6.25%), due 2019	4,430		
	<u>4,430</u>		
2000 Series A-3:			
Serial bonds (5.00% to 5.80%), due 2003 - 2010	1,930		
Term bonds (6.45%), due 2030	13,220		
PAC bonds (5.90%), due 2030	5,420		
	<u>20,570</u>		
2000 Series B-1:			
Taxable PAC bonds (7.57%), due 2030	15,000	15	1,975
	<u>15,000</u>	<u>15</u>	<u>1,975</u>
2000 Series B-2:			
Serial bonds (5.30% to 5.65%), due 2005 - 2012	4,815		
Terms bonds (6.00%), due 2019	5,880		
Terms bonds (6.10%), due 2030	15,000		
Terms bonds (6.10%), due 2031	4,700		
PAC bonds (5.55%), due 2031	10,950	2,665	3,280
	<u>41,345</u>	<u>2,665</u>	<u>3,280</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
2000 Series C-1: Taxable PAC bonds (7.85%), due 2031	\$ 15,000	\$ 1,805	\$ 3,530
	<u>15,000</u>	<u>1,805</u>	<u>3,530</u>
2000 Series C-2: Term bonds (5.875%), due 2017	9,440		
	<u>9,440</u>		
2000 Series C-3: Serial bonds (5.45% to 5.60%), due 2005 - 2009	2,385		
Term bonds (5.45%), due 2009	2,615		
Term bonds (6.125%), due 2019	1,725		
PAC bonds (5.65%), due 2030	11,000	1,900	2,560
Term bonds (6.30%), due 2030	5,000		
Term bonds (6.30%), due 2031	10,265		
	<u>32,990</u>	<u>1,900</u>	<u>2,560</u>
2000 Series D-1: Taxable PAC bonds (7.34%), due 2030	15,000	1,185	3,300
	<u>15,000</u>	<u>1,185</u>	<u>3,300</u>
2000 Series D-2: Serial bonds (4.80% to 5.15%), due 2008 - 2012	3,700	405	525
Term bonds (5.625%), due 2017	5,795	600	600
	<u>9,495</u>	<u>1,005</u>	<u>1,125</u>
2000 Series D-3: Serial bonds (5.00% to 5.05%), due 2006 - 2007	2,355		
Term bonds (5.95%), due 2026	8,160	835	835
PAC bonds (5.35%), due 2031	10,000	2,880	3,430
Term bonds (5.95%), due 2032	9,790	1,000	1,000
	<u>30,305</u>	<u>4,715</u>	<u>5,265</u>
2001 Series A-1: Term bonds (5.35%), due 2020	2,045	390	410
	<u>2,045</u>	<u>390</u>	<u>410</u>
2001 Series A-2: Serial bonds (4.55% to 5.15%), due 2008 - 2013	5,895	545	790
Term bonds (5.60%), due 2021	4,085	780	815
Term bonds (5.70%), due 2031	7,695	1,470	1,530
PAC bonds (4.80%), due 2032	7,600	1,235	2,270
Term bonds (5.70%), due 2032	7,680	1,465	1,525
	<u>32,955</u>	<u>5,495</u>	<u>6,930</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
2001 Series B-1:			
Taxable PAC bonds (6.15%), due 2033	\$ 10,000	\$	700
	<u>10,000</u>	<u>---</u>	<u>700</u>
2001 Series B-2:			
Serial bonds (4.15% to 4.70%), due 2008 - 2012	2,465	\$ 530	980
	<u>2,465</u>	<u>530</u>	<u>980</u>
2001 Series B-3:			
Serial bonds (4.10% to 4.30%), due 2006 - 2007	1,335		
Term bonds (5.45%), due 2021	2,500	665	1,025
Term bonds (5.45%), due 2021	4,480	1,195	1,835
Term bonds (5.55%), due 2033	8,220	2,195	3,385
Term bonds (5.55%), due 2033	11,000	2,930	4,510
	<u>27,535</u>	<u>6,985</u>	<u>10,755</u>
2001 Series C:			
Serial bonds (4.00% to 4.75%), due 2008 - 2012	6,965	945	1,400
Term bonds (5.25%), due 2022	8,090	2,485	2,935
PAC bonds (4.30%), due 2031	8,785	1,720	3,165
Term bonds (5.375%), due 2032	16,160	4,955	5,855
	<u>40,000</u>	<u>10,105</u>	<u>13,355</u>
2002 Series A:			
Serial bonds (3.90% to 5.00%), due 2008 - 2014	7,510	1,105	1,550
Term bonds (5.30%), due 2022	6,340	545	795
Term bonds (5.35%), due 2027	5,845	5,845	5,845
Term bonds (5.45%), due 2033	5,000	430	625
Term bonds (5.45%), due 2033	5,305	455	670
PAC bonds (4.50%), due 2033	10,000	2,215	3,790
	<u>40,000</u>	<u>10,595</u>	<u>13,275</u>
2002 Series B:			
Serial bonds (3.85% to 4.70%), due 2008 - 2012	6,930	1,305	1,875
Term bonds (5.45%), due 2022	3,000	1,190	1,385
Term bonds (5.45%), due 2022	5,435	2,160	2,505
Term bonds (5.55%), due 2031	4,000	1,595	1,845
Term bonds (5.55%), due 2032	10,310	4,120	4,775
PAC bonds (4.50%), due 2032	10,325	2,800	4,350
	<u>40,000</u>	<u>13,170</u>	<u>16,735</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
2002 Series C-1: Serial bonds (4.00% to 4.30%) due 2010 - 2013	\$ 2,235	\$ 840	\$ 1,025
	<u>2,235</u>	<u>840</u>	<u>1,025</u>
2002 Series C.-2: Serial bonds (3.90% to 4.85%), due 2008 - 2014	6,410	1,165	1,745
Term bonds (5.25%), due 2023	7,815	3,400	3,835
Term bonds (5.40%), due 2030	9,625	4,210	4,745
PAC bonds (4.15%), due 2033	11,860	3,715	5,525
Term bonds (5.40%), due 2033	7,745	3,395	3,825
	<u>43,455</u>	<u>15,885</u>	<u>19,675</u>
2002 Series D-1: Taxable term bond (floating rate), due 2033	5,000	900	3,085
	<u>5,000</u>	<u>900</u>	<u>3,085</u>
2002 Series D-2: Serial bonds (3.00% to 4.05%), due 2008 - 2013	9,105	2,825	3,675
Term bonds (4.85%), due 2022	5,900	3,895	3,895
Term bonds (4.85%), due 2023	2,500	1,640	1,640
Term bonds (4.95%), due 2032	5,560	3,670	3,670
PAC bonds (3.60%), due 2033	11,435	3,760	5,520
Term bonds (4.95%), due 2033	5,500	3,625	3,625
	<u>40,000</u>	<u>19,415</u>	<u>22,025</u>
2003 Series A: Serial bonds (2.30% to 4.35%), due 2007 - 2013	7,185	2,685	3,705
Term bonds (4.90%), due 2022	4,945	3,225	3,590
Term bonds (4.90%), due 2023	3,000	1,960	2,180
Term bonds (4.95%), due 2034	17,570	11,450	12,755
PAC bonds (4.70%), due 2034	12,250	5,235	7,205
	<u>44,950</u>	<u>24,555</u>	<u>29,435</u>
2003 Series B: Serial bonds (2.90% to 3.90%), due 2010 - 2016	3,805	2,715	2,855
Term bonds (4.25%), due 2024	8,015	5,920	6,220
Term bonds (4.40%), due 2033	7,070	5,220	5,485
Term bonds (4.40%), due 2034	7,000	5,175	5,435
PAC bonds (4.00%), due 2034	19,060	8,655	11,590
	<u>44,950</u>	<u>27,685</u>	<u>31,585</u>
2003 Series C-1: Serial bonds (3.65% to 4.45%), due 2010 - 2016	3,785	2,630	3,025
	<u>3,785</u>	<u>2,630</u>	<u>3,025</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
<b>2003 Series C-2:</b>			
Serial bonds (3.00% to 4.35%), due 2008 - 2013	\$ 3,155	\$ 740	\$ 1,455
Term bonds (5.10%), due 2024	3,810	2,630	3,020
Term bonds (5.10%), due 2024	3,810	2,645	3,040
Term bonds (5.20%), due 2034	7,605	5,280	6,065
Term bonds (5.20%), due 2034	7,605	5,270	6,060
PAC bonds (5.00%), due 2034	15,180	7,650	9,995
	<u>41,165</u>	<u>24,215</u>	<u>29,635</u>
<b>2003 Series D-1:</b>			
Serial bonds (3.30% to 4.20%), due 2010 - 2014	5,355	3,970	4,580
	<u>5,355</u>	<u>3,970</u>	<u>4,580</u>
<b>2003 Series D-2:</b>			
Serial bonds (3.10% to 3.40%), due 2008 - 2009	4,305	750	1,710
Term bonds (4.85%), due 2023	5,715	4,235	4,885
Term bonds (4.85%), due 2023	5,380	3,990	4,600
Term bonds (4.90%), due 2029	5,305	3,930	4,535
Term bonds (4.90%), due 2029	5,400	4,000	4,615
PAC bonds (5.25), due 2033	10,500	5,390	7,135
Term bonds (4.95%), due 2034	8,205	6,080	7,010
	<u>44,810</u>	<u>28,375</u>	<u>34,490</u>
<b>2004 Series A-1:</b>			
Serial bonds (3.50% to 3.90%), due 2014 - 2017	2,920	2,515	2,650
Term bonds (4.20%), due 2019	1,360	1,160	1,230
	<u>4,280</u>	<u>3,675</u>	<u>3,880</u>
<b>2004 Series A-2:</b>			
Serial bonds (2.45% to 3.80%), due 2008 - 2014	9,210	5,030	6,225
Term bonds (4.45%), due 2024	4,265	3,620	3,835
Term bonds (4.45%), due 2025	4,265	3,625	3,840
PAC bonds (5.00%), due 2034	9,630	5,560	7,360
Term bonds (4.60%), due 2034	9,175	7,850	8,315
Term bonds (4.60%), due 2035	9,175	7,845	8,310
	<u>45,720</u>	<u>33,530</u>	<u>37,885</u>
<b>2004 Series B-1:</b>			
Serial bonds (4.40% to 4.70%), due 2014 - 2017	4,275	3,125	3,745
	<u>4,275</u>	<u>3,125</u>	<u>3,745</u>
<b>2004 Series B-2:</b>			
Serial bonds (3.50% to 4.75%), due 2008 - 2014	2,605	575	770
Term bonds (4.30%), due 2014	4,365	2,700	3,640
Term bonds (4.30%), due 2014	4,370	2,560	3,580
PAC bonds (5.25%), due 2034	18,880	11,340	14,470
	<u>30,220</u>	<u>17,175</u>	<u>22,460</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
<b>2004 Series B-2A:</b>			
Term bonds (5.15%), due 2025	\$ 6,965	\$ 5,105	\$ 6,105
Term bonds (5.15%), due 2025	6,965	5,105	6,100
Term bonds (5.20%), due 2029	4,930	3,615	4,320
Term bonds (5.20%), due 2029	4,925	3,615	4,315
Term bonds (5.30%), due 2035	10,860	7,965	9,520
Term bonds (5.30%), due 2035	10,860	7,970	9,520
	<u>45,505</u>	<u>33,375</u>	<u>39,880</u>
<b>2004 Series C-1:</b>			
Serial bonds (3.80% to 4.10%), due 2014 - 2017	5,200	4,465	5,080
Term bonds (4.35%), due 2020	1,295	1,150	1,270
	<u>6,495</u>	<u>5,615</u>	<u>6,350</u>
<b>2004 Series C-2:</b>			
Serial bonds (2.90% to 4.10%), due 2008 -2013	8,140	4,710	6,160
Term bonds (4.70%), due 2025	7,720	6,855	7,575
Term bonds (4.85%), due 2029	7,065	6,270	6,930
PAC bonds (5.00%), due 2034	9,680	6,585	8,325
Term bonds (4.90%), due 2035	10,900	9,675	10,695
	<u>43,505</u>	<u>34,095</u>	<u>39,685</u>
<b>2005 Series A-1:</b>			
Serial bonds (3.90% to 4.20%), due 2014 - 2017	2,940	2,535	2,940
Term bonds (4.375%), due 2020	1,620	1,390	1,620
	<u>4,560</u>	<u>3,925</u>	<u>4,560</u>
<b>2005 Series A-2:</b>			
Serial bonds (4.05% to 4.30%), due 2013 - 2015	695	305	360
PAC bonds (5.00%), due 2035	22,755	19,010	21,425
Term bonds (4.65%), due 2035	28,615	22,770	27,485
	<u>52,065</u>	<u>42,085</u>	<u>49,270</u>
<b>2005 Series B-1:</b>			
Serial bonds (3.90% to 4.15%), due 2014 - 2017	4,565	4,050	4,210
Term bonds (4.30%), due 2020	1,660	1,475	1,530
	<u>6,225</u>	<u>5,525</u>	<u>5,740</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
2005 Series B-2:			
Serial bonds (3.35% to 4.30%), due 2008 - 2015	\$ 12,960	\$ 8,410	\$ 10,055
Term bonds (4.625%), due 2025	480	425	440
Term bonds (4.75%), due 2030	400	355	370
PAC bonds (5.00%), due 2036	27,220	23,545	26,375
Term bonds (4.80%), due 2036	715	640	665
Term bonds (variable rate), due 2036	32,000	32,000	32,000
	<u>73,775</u>	<u>65,375</u>	<u>69,905</u>
2005 Series C-1:			
Serial bonds (4.00% to 4.25%), due 2013 - 2016	5,765	4,720	5,765
Term bonds (4.55%), due 2020	4,035	3,300	4,035
	<u>9,800</u>	<u>8,020</u>	<u>9,800</u>
2005 Series C-2:			
Serial bonds (3.60% to 4.25%), due 2008 - 2013	7,410	4,665	6,855
Term bonds (4.85%), due 2026	980	800	980
Term bonds (5.00%), due 2031	1,030	825	1,005
PAC bonds (5.00%), due 2036	24,600	20,830	23,605
Term bonds (5.05%), due 2037	4,180	3,415	4,180
	<u>38,200</u>	<u>30,535</u>	<u>36,625</u>
2005 Series C-3:			
Term bonds (variable rate), due 2036	32,000	32,000	32,000
	<u>32,000</u>	<u>32,000</u>	<u>32,000</u>
2006 Series A-1:			
Serial bonds (3.60% to 4.40%), due 2008 - 2016	18,365	15,705	17,500
Term bonds (4.75%), due 2026	2,215	2,210	2,215
Term bonds (4.85%), due 2030	1,465	1,465	1,465
Term bonds (5.25%), due 2037	35,065	31,930	34,445
Term bonds (4.90%), due 2037	2,890	2,885	2,890
	<u>60,000</u>	<u>54,195</u>	<u>58,515</u>
2006 Series A-2:			
Term bonds (variable rate), due 2037	40,000	40,000	40,000
	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>
2006 Series B-1:			
Serial bonds (3.55% to 4.25%), due 2008 - 2016	17,795	14,610	17,375
	<u>17,795</u>	<u>14,610</u>	<u>17,375</u>
2006 Series B-2:			
Term bonds (4.80%), due 2021	13,230	11,360	12,915
Term bonds (4.90%), due 2026	16,755	15,190	16,360
Term bonds (4.95%), due 2031	22,620	20,500	22,080
Term bonds (5.00%), due 2037	34,125	30,930	33,310
Term bonds (5.50%), due 2037	26,500	23,255	25,070
Taxable PAC bonds (5.90%), due 2037	50,000	44,305	49,040
	<u>163,230</u>	<u>145,540</u>	<u>158,775</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
<b>2006 Series C-1:</b>			
Serial bonds (3.60% to 4.35%), due 2008 - 2016	\$ 11,205	\$ 10,235	\$ 11,205
Term bonds (4.65%), due 2021	8,935	8,935	8,935
Term bonds (4.80%), due 2027	14,970	14,970	14,970
Term bonds (4.85%), due 2031	13,475	13,475	13,475
PAC bonds (5.75%), due 2037	10,000	9,350	9,930
Term bonds (4.90%), due 2037	27,865	27,865	27,865
	<u>86,450</u>	<u>84,830</u>	<u>86,380</u>
<b>2006 Series C-2:</b>			
Serial bonds (5.27% to 5.58%), due 2008 - 2016	4,000	3,810	4,000
Term bonds (5.692%), due 2037	26,000	24,125	25,900
	<u>30,000</u>	<u>27,935</u>	<u>29,900</u>
<b>2006 Series D-1:</b>			
Serial bonds (3.70% to 4.20%), due 2009 - 2016	10,445	9,615	10,445
Term bonds (4.45%), due 2021	8,045	8,045	8,045
Term bonds (4.55%), due 2027	13,420	13,420	13,420
Term bonds (4.60%), due 2031	12,025	12,025	12,025
PAC bonds (5.50%), due 2038	16,000	14,925	16,000
Term bonds (4.625%), due 2038	30,065	30,065	30,065
	<u>90,000</u>	<u>88,095</u>	<u>90,000</u>
<b>2006 Series D-2:</b>			
Serial bonds (5.04% to 5.16%), due 2009 - 2013	2,920	2,920	2,920
Term bonds (5.25%), due 2016	2,035	2,035	2,035
Taxable bonds (5.409%), due 2038	25,045	23,930	25,045
	<u>30,000</u>	<u>28,885</u>	<u>30,000</u>
<b>2007 Series A-1:</b>			
Serial bonds (3.85% to 4.30%), due 2009 - 2015	4,580	4,580	4,580
Term bonds (4.170%), due 2014	2,210	2,210	2,210
Term bonds (4.375%), due 2017	2,585	2,585	2,585
Term bonds (4.650%), due 2022	7,155	2,405	7,155
Term bonds (4.780%), due 2027	9,415	735	9,415
Term bonds (4.80%), due 2032	12,405	12,405	12,405
PAC bonds (5.50%), due 2038	9,030	8,825	9,030
Term bonds (4.875%), due 2039	22,620	22,620	22,620
	<u>70,000</u>	<u>56,365</u>	<u>70,000</u>

NOTE 6 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance	
		2008	2007
2007 Series A-2:			
Taxable serial bonds (5.05% to 5.40%), due 2009 - 2017	\$ 5,015	\$ 5,015	\$ 5,015
Taxable PAC bonds (5.505%), due 2039	24,985	24,685	24,985
	<u>30,000</u>	<u>29,700</u>	<u>30,000</u>
2008 Series A-1:			
Serial bonds (3.65% to 3.95%), due 2010 - 2011	1,955	1,955	—
	<u>1,955</u>	<u>1,955</u>	<u>—</u>
2008 Series A-2:			
Term bonds (variable rate), due 2039	85,000	85,000	—
	<u>85,000</u>	<u>85,000</u>	<u>—</u>
Serial bonds (3.95% to 5.30%), due 2011 - 2018	22,920	22,920	—
Term bonds (5.95%), due 2023	7,015	7,015	—
Term bonds (6.125%), due 2029	11,165	11,165	—
Term bonds (6.25%), due 2033	13,370	13,370	—
Term bonds (6.45%), due 2040	18,370	18,370	—
	<u>72,840</u>	<u>72,840</u>	<u>—</u>
	\$ <u>2,364,950</u>	\$ <u>1,293,030</u>	\$ <u>1,336,780</u>
<b>Multi-Unit Mortgage Program Fund</b>			
1997 Series M-A (Cumberland Crossing):			
Term bonds (adjustable rate), due 2028	\$ 9,200	\$ —	\$ —
	<u>9,200</u>	<u>—</u>	<u>—</u>
1997 Series M-B (Cumberland Crossing):			
Term bonds (adjustable rate), due 2028	800	734	744
	<u>800</u>	<u>734</u>	<u>744</u>
	\$ <u>10,000</u>	\$ <u>734</u>	\$ <u>744</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

The Single Family and Multi-Unit 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.

Cumberland Crossing, a bond series within the Multi-Unit Mortgage Program Fund, is a conduit issue. All scheduled, advance and delinquent payments on mortgage loans, mortgage insurance and guaranty proceeds received by the Authority, and the earnings on investments of amounts held under the Bond Trust Indentures are pledged to secure the payment of these three bond series. The 1997 Series M-A and 1997 Series M-B Bonds have an adjustable rate that is currently remarketed on a weekly basis.

The 1999 Series Y, 1999 Series Z, 2000 Series B, 2000 Series C, 2000 Series D, 2002 Series D, 2006 Series B, 2006 Series C, 2006 Series D, and 2007 Series A include both taxable and tax-exempt bonds. Taxable bonds were utilized to increase resources for the Authority's mortgage program.

The 2000 Series A includes only taxable bonds.

The 2002 Series D-1 are floating rate bonds. The interest rate is the three-month LIBOR plus .28% (1.71% at December 31, 2008) adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap which had a fair market value of approximately \$6,000 as of December 31, 2008 to protect the rate from exceeding 7.0%.

*Variable Rate Demand Bonds*

Included in long-term debt is \$104,000,000 of 2005 Series B-2, 2005 Series C-3 and 2006 Series A-2 variable rate demand bonds maturing serially at various dates from January 1, 2016 to January 1, 2037. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. The redemption schedule for these bonds is included in the bond redemption schedule.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Authority's remarketing agents. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. Starting in February 2009 the bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on one days' notice and delivery to the Authority's remarketing agents

The Authority has entered into a Standby Purchase Agreement (SBPA) with Depfa Bank (Depfa) to buy any bonds that are "put" back by the remarketing agents. Once these bonds are purchased by the SBPA provider, they are called "bank bonds". If the bonds are "bank bonds" for a period of 90 days from the purchase date, the "bank bonds" convert to a installment loan payable over a five-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the ninetieth day thereafter, the greater of the Prime Rate or Federal Funds Rate plus 50 basis points per annum (b) from and including the ninety-first day immediately following the related Bank Purchase Date and thereafter, the greater of the Prime Rate plus 150 basis points or Federal Funds Rate plus 200 basis points per annum.

As of December 31, 2008 \$81,400,000 of bonds were held by Depfa under the SBPA. In February 2009 the Authority terminated its SBPA with Depfa and entered into a new SBPA with JP Morgan Chase

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

*Variable Rate Demand Bonds (Continued)*

Bank, National Association (JP Morgan) under the terms stated below. As of the date of this report all \$104,000,000 of variable rate demand bonds have been successfully remarketed.

The Authority has entered into a SBPA with JP Morgan to buy any bonds that are "put" back by the remarketing agents. If the bonds are "bank bonds" for a period of 60 days from the purchase date, the "bank bonds" convert to a installment loan payable over a three-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the ninetieth day thereafter, the Base Rate from time to time in effect and (b) from and including the ninety-first day immediately following the related Bank Purchase Date and thereafter, the Base Rate from time to time in effect plus 1.0%. ("Base Rate" means the highest of (a) the Prime Rate plus 1.5%; (b) the Federal Funds Rate plus 2.0%; and (c) 8.5 %).

The SBPA expires on February 8, 2010. If the SBPA were to be exercised because any portion of demand bonds was "put" and not resold, the bonds shall be subject to mandatory redemption in equal semi-annual principal installments plus interest, so that such bonds are paid in full within three years.

The Authority pays JP Morgan a SBPA annual fee of 125 basis points of the outstanding principal amount of the bonds. In addition, the remarketing agents receive an annual fee based on the outstanding principal amount of the bonds.

Included in bonds payable is \$85,000,000 of 2008 Series A-2 variable rate demand bonds maturing serially at various dates from January 1, 2019 to July 1, 2039. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. The redemption schedule for these bonds is included in the bond redemption schedule.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Authority's remarketing agent, Royal Bank of Canada (RBC). The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The Authority has entered into a SBPA with RBC to buy any bonds that are "put" back by the remarketing agent. Once these bonds are purchased by the SBPA provider, they are called "bank bonds". If the bonds are "bank bonds" for a period of 6 months from the purchase date, the "bank bonds" convert to an installment loan payable over a five-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to the higher of the Base Rate plus 3.00% or 12% per annum ("Base Rate" means, for any day, a rate per annum equal to the higher of (a) the Fed Funds Rate plus 0.50% per annum, and (b) the Prime Rate). The SBPA expires on December 1, 2009 as result the entire principal amount of the Series 2008 A-2 bond has been classified as current liability.

If the SBPA were to be exercised because any portion of demand bonds was "put" and not resold, the bonds shall be subject to mandatory redemption in equal semi-annual principal installments plus interest, so that such bonds are paid in full within five years.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

*Variable Rate Demand Bonds (Continued)*

The Authority paid RBC a SBPA fee of \$15,000 upfront and is also required to pay an annual fee of 37.5 basis points of the outstanding principal amount of the bonds. In addition, the remarketing agent receives an annual fee based on the outstanding principal amount of the bonds.

The Single Family and Multi-Unit bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 103 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 \$190,720,000 and \$138,915,000 of bonds in 2008 and 2007, respectively, from prepayments that had been received. The bond redemptions resulted in write-offs of unamortized discount and deferred debt issuance costs related to the redeemed bonds.

At December 31, 2008, the Authority had one line of credit borrowing totaling \$350,000,000, which represents the maximum amount available under this agreement. This line of credit matures on May 29, 2009. The interest rate on this borrowing is 1.36%.

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2008 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 Mortgage Program Fund		Multi Unit Mortgage Program Fund		Total		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 103,725	\$ 60,094	\$ 11	\$ 19	\$ 103,736	\$ 60,113	\$ 163,849
2010	21,310	58,208	13	18	21,323	58,226	79,549
2011	23,850	57,296	14	18	23,864	57,314	81,178
2012	24,220	56,294	15	17	24,235	56,311	80,546
2013	25,405	55,238	17	17	25,422	55,255	80,677
2014-2018	147,845	257,275	116	14	147,961	257,289	405,250
2019-2023	180,060	218,093	191	9	180,251	218,102	398,353
2024-2028	238,775	167,032	316	1	239,091	167,033	406,124
2029-2033	299,700	99,964	41		299,741	99,964	399,705
2034-2038	218,860	28,312			218,860	28,312	247,172
2039-2043	9,280	525			9,280	525	9,805
Original issue premium	11,188				11,188		11,188
Original issue discount	(12)				(12)		(12)
<b>Total</b>	<b>\$ 1,304,206</b>	<b>\$ 1,058,331</b>	<b>\$ 734</b>	<b>\$ 113</b>	<b>\$ 1,304,940</b>	<b>\$ 1,058,444</b>	<b>\$ 2,363,384</b>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

Summary of long-term debt as of December 31, 2008 (dollars in thousands):

<u>Interest rate ranges</u>	<u>Maturity range</u>	<u>Annual payment range of principal</u>	<u>Amount</u>
2.30% - 7.85%	2009 - 2040	\$3,160 - \$65,975	\$1,293,764

*Changes in Obligations*

The following are changes in the obligations of the Authority for the year ended December 31, 2008:

Short-term obligations (in thousands):

	<u>Balance at December 31, 2007</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance at December 31, 2008</u>
Line of credit	\$ 478,475,000	\$	\$ 128,475,000	\$ 350,000,000

Long-term obligations (in thousands):

	<u>Balance at December 31, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2008</u>	<u>Amounts due within one year</u>	<u>Amounts due thereafter</u>
Bonds payable/notes payable	\$ 1,337,524	\$ 159,795	\$ 203,555	\$ 1,293,764	\$ 103,736	\$ 1,190,028
Less original discount	(27)		(15)	(12)		(12)
Add original premium	12,851		(1,663)	11,188		11,188
Other liabilities	35	1,163		1,198		1,198
	<u>\$ 1,350,383</u>	<u>\$ 160,958</u>	<u>\$ 201,877</u>	<u>\$ 1,306,138</u>	<u>\$ 103,736</u>	<u>\$ 1,202,402</u>

	<u>Balance at December 31, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2007</u>	<u>Amounts due within one year</u>	<u>Amounts due thereafter</u>
Bonds payable/notes payable	\$ 1,478,121	\$ 100,000	\$ 240,597	\$ 1,337,524	\$ 19,830	\$ 1,317,694
Less original discount	(31)		(4)	(27)		(27)
Add original premium	13,504	489	1,142	12,851		12,851
Other liabilities	35			35		35
	<u>\$ 1,491,629</u>	<u>\$ 100,489</u>	<u>\$ 241,735</u>	<u>\$ 1,350,383</u>	<u>\$ 19,830</u>	<u>\$ 1,330,553</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

*Swap Agreements*

On September 22, 2005, the Authority entered into an interest rate swap agreement with Goldman Sachs Mitsui Marine Derivatives Products, L.P. (Counterparty), effective April 6, 2006. The objective of this swap agreement is to create, with respect to the 2005 Series B-2 Bonds in an amount totaling \$32,000,000, an approximately fixed interest rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are to be made semi-annually, commencing on July 1, 2006, on the basis of a notional principal amount and a fixed interest rate of 3.626%. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the LIBOR.

On November 30, 2005, the Authority entered into an interest rate swap agreement with UBS AG (Counterparty), effective June 1, 2006. The objective of this swap agreement is to create, with respect to the 2005 Series C-3 Bonds in an amount totaling \$32,000,000, an approximately fixed interest rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are to be made semi-annually, commencing on July 1, 2006, on the basis of a notional principal amount and a fixed interest rate of 3.782%. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the LIBOR.

On February 14, 2006, the Authority entered into an interest rate swap agreement with Goldman Sachs Mitsui Marine Derivatives Products, L.P. (Counterparty), effective September 29, 2006. The objective of this swap agreement is to create, with respect to the 2006 Series A-2 Bonds in an amount totaling \$40,000,000, an approximately fixed rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are to be made semi-annually, commencing on January 1, 2007, on the basis of a notional principal amount and a fixed interest rate of 3.954%. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the LIBOR.

On November 6, 2008, the Authority entered into an interest rate swap agreement with Royal Bank of Canada (Counterparty), effective December 2, 2008. The objective of this swap agreement is to create, with respect to the 2008 Series A-2 Bonds in an amount totaling \$85,000,000, an approximately fixed rate net obligation. Payments made to the Counterparty by the Authority under this swap agreement are to be made semi-annually, commencing on January 1, 2009, on the basis of a notional principal amount and a fixed interest rate of 3.445%. Payments received by the Authority from the Counterparty under the swap agreement bear interest at a variable rate calculated by reference to the SIFMA Municipal Swap Index.

NOTE 6 - BONDS PAYABLE (CONTINUED)

Swap Agreements (Continued)

*Objective of the Swaps:* In order to protect against the potential of rising interest rates, the Authority entered four separate pay-fixed, receive-variable interest rate swaps.

*Terms, Fair Values, and Credit Risk:* The terms, including, the fair values and credit ratings of the outstanding swaps as of December 31, 2008, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

Associated Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating S&P/Moody's / Fitch
2005 Series B-2 Swap	\$ 32,000,000	4/6/2006	3.626%	58% of 1 month LIBOR Plus 41 Basis Points	\$ (3,256,623)	7/1/2036	AAA/Aaa/N/A
2005 Series C-3 Swap	32,000,000	6/1/2006	3.782%	58% of 1 month LIBOR Plus 41 Basis Points	(4,071,457)	7/1/2036	AA+/Aa2/A+
2006 Series A-2 Swap	40,000,000	9/29/2006	3.954%	66.9% of 3 month LIBOR	(5,653,994)	1/1/2037	AAA/Aaa/N/A
2008 Series A-2 Swap	85,000,000	12/2/2008	3.445%	USD-SIFMA	(5,350,603)	7/1/2027	AA-/Aaa/AA
Total	\$ 189,000,000				\$ (18,332,677)		

*Fair Value:* Because interest rates declined, all swaps had a negative fair value as of December 31, 2008. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

*Credit Risk:* As of December 31, 2008, the Authority was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair value.

Although the Authority executes swap transactions with various counterparties, approximately 45% of the notional amount of swaps outstanding are held by one counterparty. That counterparty is rated AA-/Aaa/AA. The remaining three swaps are held by two different counterparties.

*Basis Risk:* The Authority is exposed to basis risk on the swaps when the variable payment received is based on an index other than SIFMA. As of December 31, 2008, the SIFMA rate was .9%, whereas 1 month LIBOR was .4362% and 3 month LIBOR was 1.425%.

*Termination Risk:* The Authority or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of the termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

*Rollover Risk:* The Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, the Authority will not realize the synthetic rate offered by the swaps on the underlying debt issues. The 2008 Series A-2 is exposed to termination risk since the swap termination date precedes the debt maturity date.

NOTE 6 - BONDS PAYABLE (CONTINUED)

Swap Agreements (Continued)

Swap Payments and Associated Debt: As of December 31, 2008, debt service requirements of the Authority's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term and there are no mandatory redemptions under a SBPA, are as follows:

Year Ending December 31	<u>Variable- Rate Bonds</u>			
	Principal	Interest	Interest Rate, Swaps, Net	Total
2009	\$ 85,000,000	\$ 1,701,000	\$ 5,309,744	\$ 92,010,744
2010		936,000	3,146,494	4,082,494
2011		936,000	3,146,494	4,082,494
2012		936,000	3,146,494	4,082,494
2013		936,000	3,146,494	4,082,494
2014-2018	4,020,000	4,648,118	15,626,268	24,294,386
2019-2023	18,055,000	4,191,368	14,101,215	36,347,583
2024-2028	25,565,000	3,188,093	10,731,172	39,484,265
2029-2033	31,535,000	1,921,658	6,471,872	39,928,529
2034-2037	24,825,000	429,323	1,446,986	26,701,308
<b>Total</b>	<u>\$ 189,000,000</u>	<u>\$ 19,823,558</u>	<u>\$ 66,273,233</u>	<u>\$ 275,096,790</u>

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - COMMITMENTS**

As of December 31, 2008, the Authority had the following commitments:

*Lease*

Lease expense for 2008 and 2007 was \$338,528 and \$419,249, respectively. The Authority entered into a lease agreement for new office space in February 2003. The lease requires payments of \$29,464 per month (\$353,568 per year) for the ten-year term of the lease.

*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. Under these regulations, the Authority is required to pay the federal government any excess earnings as defined by IRC Section 148(f) on all nonpurpose investments if such investments were invested at a rate greater than the yield on the bond issue.

The Authority's liability, included in accounts payable and other liabilities on the statement of net assets for excess earnings at December 31, follows:

	2008	2007
Single Family Program Fund	\$ 1,198,070	\$ 35,397

**NOTE 8 - RETIREMENT PLAN**

*(a) Plan Description*

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. PERF is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt.

PERF is a contributory defined benefit plan that covers substantially all Authority employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - RETIREMENT PLAN (CONTINUED)**

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, Indiana 46204.

**(b) Funding Policy**

The Authority contributes the participant's required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should a participant terminate employment. The Authority is required by State statute to contribute at an actuarially determined rate. The current rate is 6.3% of annual covered payroll. The contribution requirements of participants are determined by State statute.

**(c) Annual Pension Cost**

For the 2008 plan year, the Authority's annual contribution of \$196,131 was more than the required contribution of \$167,201. For the 2007 and 2006 plan years, the Authority's annual contributions of \$145,857 and \$110,061, respectively, were less than the required contributions. The PERF funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2008, 2007, and 2006 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases based on PERF experience from 2000 to 2005; and (c) assumed annual post retirement benefit increases of 1.50%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a 30-year open period.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY  
 REQUIRED PENSION SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

December 31, 2008 and 2007  
 (Unaudited)

Asset valuation date	(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL) entry age	(2-1) Unfunded (overfunded) AAL (UAAL)	(1/2) Funded ratio	(3) Covered payroll	[(2-1)/3] UAAL as a percentage of covered payroll	Annual pension cost (APC)	Percentage of APC contributed
June 30, 2008	\$ 1,450,000	\$ 1,476,000	\$ 26,000	98%	\$ 3,148,000	1%	\$ 168,385	116%
June 30, 2007	1,227,000	1,207,000	(20,000)	102%	2,823,000	1%	134,003	109%
June 30, 2006	1,106,000	1,127,000	21,000	98%	2,195,000	1%	115,299	95%
June 30, 2005	1,179,000	1,203,000	24,000	98%	2,136,000	1%	96,158	88%
June 30, 2004	1,181,000	1,111,000	(70,000)	106%	2,226,000	3%	75,144	162%