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March 24, 2021

Board of Directors
Indiana Finance Authority
One North Capitol Ave., Suite 900
Indianapolis, Indiana 46204

We have received the audit report of the Indiana Finance Authority which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Indiana Finance Authority as of June 30, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

INDIANA FINANCE AUTHORITY
ANNUAL FINANCIAL STATEMENTS
June 30, 2020

INDIANA FINANCE AUTHORITY
(A Component Unit of the State of Indiana)
FINANCIAL STATEMENTS
June 30, 2020

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Independent Auditors' Report

Members of the Indiana Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority (IFA), a component unit of the State of Indiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise IFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IFA as of June 30, 2020, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, schedule of actual operating revenues and expenses compared to budget on pages 90 through 91, Indiana Toll Road infrastructure condition rating on page 92, and schedules of IFA's proportionate share of the net pension liability and IFA contributions and related notes on pages 93 through 95 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IFA's basic financial statements. The supplementary schedules of segment reporting – statements of net position, revenues, expenses and changes in net position, and cash flows on pages 97 through 99 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of IFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of IFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IFA's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 15, 2020

PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

This section of Indiana Finance Authority's ("IFA") financial report provides management's discussion and analysis of the financial performance during the year ended June 30, 2020. Please read it in conjunction with the Independent Auditors' Report at the beginning of this report and the financial statements, which follow this section.

This MD&A is an opportunity for management to make information concerning IFA meaningful and understandable to IFA's constituents, including Indiana's citizens and their representatives and the investors who buy and sell IFA's bonds. In addition to describing IFA and its work, this MD&A briefly analyzes, discusses or presents:

- Basic financial statements
- Condensed financial information
- Overall financial position and results of operations
- Significant transactions within individual funds
- Significant capital assets and long-term debt activity
- Currently known facts

Background: Established on May 15, 2005, IFA, a component unit of the State of Indiana, combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund Programs. Effective July 1, 2005, all records, money, and other property held by the Auditor of the State with respect to the Supplemental Drinking Water and Wastewater Assistance Program transferred to IFA as the successor entity. On July 1, 2007, the duties and responsibilities of the Indiana Health and Education Facility Finance Authority were transferred to IFA, and the responsibilities of the following programs were transferred from IFA to the Indiana Economic Development Corporation: Guaranty Fund, Capital Access Program Fund, Business Development Loan Fund and Rural & Agriculture Development Fund. Additional funds that have been created since IFA's inception include Stadium and Convention Center, Indiana Toll Road Lease, State Fair, Public Private Partnerships, Indiana Motorsports Commission, Flood Control Revolving Fund, and Local Transportation Infrastructure Revolving Fund.

IFA is a body both corporate and politic, and though separate from the State of Indiana (the "State"), the exercise by IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State. These leases do not constitute State debt. Except as described elsewhere in this MD&A, lease rentals are payable solely from appropriations made by the General Assembly.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

IFA finances and refines state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, health care facilities, and educational facility projects.

IFA's lease revenue bonds and notes are special and limited obligations of IFA, payable from lease rental revenue, bond or note proceeds, and investment income. IFA's revenue bonds are not general obligations of IFA nor are they State debt within the meaning of any constitutional provision or limitation. IFA cannot compel the General Assembly to make appropriations to pay lease rentals.

Financial Highlights: Management believes an important indicator of IFA's financial health is whether or not IFA receives sufficient lease rental revenue to pay debt service on IFA's lease revenue bonds and meet its other obligations when due. In fiscal year 2020 and prior fiscal years since IFA and its predecessor entities were established, IFA received sufficient revenue to pay its debts and meet its other obligations.

To note some major accomplishments in fiscal year 2020, IFA:

- Loaned \$707 million to Indiana communities to fund drinking water and waste water infrastructure projects
- Issued \$432 million of State Revolving Fund bonds and a Water Infrastructure Finance and Innovation Act loan to fund waste water and drinking water infrastructure projects
- Refinanced \$88.4 million of Convention Center Lease Appropriation Refunding Bonds
- Refinanced \$54.8 million of State Revolving Fund bonds

IFA's revenue and net position may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new lease revenue bond and note issues, and construction activities.

Although IFA reports through a number of enterprise funds, IFA is not a profit making enterprise. IFA exists to benefit the State through its ability to finance and refinance important State infrastructure needs, and not to grow revenue and net position over time.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

BASIC FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by the Governmental Accounting Standards Board ("GASB") that present different financial views of IFA:

- A. The first two statements are government wide financial statements that provide both long-term and short-term information about IFA's overall financial status.
- B. The remaining statements are fund financial statements that focus on individual parts of IFA, reporting IFA's operations in more detail than the government wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements report information about IFA as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of IFA's assets, deferred outflows and inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted, when earned or incurred, in the Statement of Activities regardless of when cash is received or paid. Net position, the difference between IFA's assets, deferred outflows and inflows, and liabilities, is one way to measure IFA's financial position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of IFA is improving or deteriorating. The IFA government wide financial statements are divided into two categories:

- 1. **Governmental Activities** generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are reported in governmental funds or internal service funds. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Transportation Finance General, Indiana Motorsports Commission, Stadium and Convention Center Financing, Public Private Partnerships, and State Office Building Commission.

Governmental Activities reported under governmental funds include the Operating Account ("General Funds"), Conduit Debt General Program Fund, Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, and Brownfields Cleanup Revolving Fund.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

- 2. Business-Type Activities** are financed in whole or in part by fees charged to external parties for goods or services. These activities are reported in proprietary funds or internal service funds. Business-Type Activities include the State Revolving Fund, Supplemental Fund, Flood Control Revolving Fund, Conduit Debt Program Fund, Indiana Toll Road Lease Fund, Local Transportation Infrastructure Revolving Fund, State Fair Fund, and the Recreational Development Commission.

To determine the appropriate reporting, IFA has considered the following characteristics:

- The relationship between services received and resources provided by the consumer:
 - Governmental - Resources typically not derived from specific services.
 - Business-Type - Direct relationship between the charge and the service provided.

- Revenue-producing capital assets:
 - Governmental - Capital assets do not have a direct relationship to revenue raising capability.
 - Business-Type - Capital assets are typically revenue producing.

- Similarly designated activities and potential for comparison:
 - Governmental - Government may perform multiple or unique functions and are difficult to compare to other governments.
 - Business-Type - Government typically performs a single function that allows for comparability with other governments.

- Nature of funding and budgets:
 - Governmental - Typically part of overall legally adopted governmental budget process.
 - Business-Type - May involve rate setting and appropriations.

- Users and uses of financial reports:
 - Governmental - Emphasis is on financial condition and results of operations of multipurpose functions and broader group of users including citizens, legislative and oversight bodies, and investors/creditors.
 - Business-Type - Emphasis is on financial condition and results of operations of a single activity, related compliance and reasonableness of user charges.

B. Fund Financial Statements provide detailed information about IFA's significant funds, not IFA as a whole. IFA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. IFA has two kinds of funds:

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

1. **Governmental Funds** report activities for IFA and other State Agencies that support the overall State's basic services. IFA uses the following governmental funds:

General Fund reports on the administrative functions of IFA, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

Conduit Debt General Program Fund is a special revenue fund, which provides financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code for manufacturing projects, Indiana health care organizations, private institutions of education, and certain other qualified projects.

Environmental Remediation Revolving Loan Fund (Brownfields Fund) & Petroleum Remediation Grant Fund is a special revenue fund, which provides financing for environmental clean up to local Indiana communities.

Brownfields Cleanup Revolving Fund is a special revenue fund created by statute that provides financial, technical, legal, and educational assistance to eligible entities involved in Brownfield redevelopment.

2. **Proprietary Funds** report activities for which IFA charges lease amounts or user fees to similar customers. Under the proprietary funds, there are two types of sub-funds: 1) enterprise funds track business-type activities, while 2) internal service funds report activities providing general support for IFA's programs.

- a. **Enterprise Funds**

State Revolving Fund reports on low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure.

Supplemental Fund reports on low interest loans and grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

Conduit Debt Program Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

Flood Control Revolving Fund reports on low interest loans provided to Indiana communities to improve flood control infrastructure.

Indiana Toll Road Lease Fund includes IFA's lease to the Indiana Toll Road Concession Company, LLC ("ITRCC"). The ITRCC is responsible for the operation and maintenance of the Indiana Toll Road.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

Local Transportation Infrastructure Revolving Fund reports on low interest loans provided to Indiana communities to improve transportation infrastructure.

b. Internal Service Funds

Public Private Partnerships is an internal service fund that reports on the construction of the public private partnership projects. A private party manages the construction and operations. INDOT oversees these projects.

Highway Revenue Bonds is an internal service fund that provides financing for the construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Indiana Motorsports Commission is an internal service fund providing financing and leasing of real and personal property improvements for the benefit of an owner of a qualified motorsports facility within a motorsports investment district. The Indiana Motorsports Commission oversees construction of such projects.

Stadium and Convention Center Financing Program is an internal service fund providing financing for the new Stadium and Convention Center expansion in Indianapolis. The Indiana Stadium and Convention Building Authority managed construction of the expansion.

State Fair Fund is an internal service fund providing financing for the State Fair Coliseum renovation and a new arena in Indianapolis. The Indiana State Fair Commission managed construction of the renovation and expansion.

State Office Building Commission reports on the financing activities for State office buildings, garages, hospitals and correctional facilities. These facilities are owned by IFA but operated and maintained by the Indiana Department of Administration.

Recreational Development Commission reports on the financing activities of recreational facilities constructed in State parks. The Indiana Department of Natural Resources is responsible for the operation and maintenance of these facilities.

Transportation Finance General reports on the administrative functions of the Transportation Finance Authority, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

**CONDENSED FINANCIAL INFORMATION; OVERALL FINANCIAL POSITION AND
RESULTS OF OPERATIONS AND SIGNIFICANT TRANSACTIONS
WITHIN INDIVIDUAL FUNDS**

This section provides an overview of the overall financial position, results of operations and significant transactions within individual funds.

Net Position: The following is condensed from the Statement of Net Position:

Indiana Finance Authority
Condensed Statement of Net Position (in millions of dollars)
June 30, 2020

	Governmental Activities	Business-Type Activities	Total Activities
Assets			
Cash and investments	\$ 391	\$ 568	\$ 959
Accounts, interest, loans, and lease receivable	993	3,416	4,409
Investment in direct financing leases	902	50	952
Capital assets, net	1,405	602	2,007
Other assets	98	3	101
Total assets	\$ 3,789	\$ 4,639	\$ 8,428
Deferred Outflows of Resources			
Deferred outflow of resources related to pension	\$ 1	\$ -	\$ 1
Deferred swap termination	55	-	55
Loss on debt refunding	12	10	22
Accumulated decrease in fair value of hedging derivatives	144	-	144
Total deferred outflows of resources	\$ 212	\$ 10	\$ 222
Liabilities			
Accounts payable and other liabilities	\$ 7	\$ 4	\$ 11
Interest payable	25	36	61
Unearned revenue	49	-	49
Derivative instrument liability	144	-	144
Amount due to primary government	78	-	78
Net pension liability	2	-	2
Bonds and notes payable and other long-term obligations	2,908	2,138	5,046
Total liabilities	\$ 3,213	\$ 2,178	\$ 5,391
Deferred Inflows of Resources			
Advanced payment for service concession agreement	\$ -	\$ 3,985	\$ 3,985
Deferred service concession arrangement receipts	-	270	270
Total deferred inflows of resources	\$ -	\$ 4,255	\$ 4,255
Net Position			
Net investment in capital assets	\$ 489	\$ 323	\$ 812
Restricted	174	1,834	2,008
Unrestricted	125	(3,941)	(3,816)
Total net position	\$ 788	\$ (1,784)	\$ (996)

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

The total net position at June 30 was as follows (in millions of dollars):

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources	\$ 8,650	\$ 8,613
Liabilities and Deferred Inflows of Resources	<u>(9,646)</u>	<u>(9,497)</u>
Net position	<u>\$ (996)</u>	<u>\$ (884)</u>

IFA's revenue and net position may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new lease revenue bond and note issues, and construction activities. The net position was (\$996) million at June 30, 2020, which represents a \$112 million, or 12.7% decrease from the prior year's net position. Total assets and deferred outflows of resources increased by \$37 million, while total liabilities and deferred inflows increased by \$149 million.

Assets and deferred outflows were higher due to the \$182 million increase of accounts, interest, loans, and lease receivables, the accumulated fair value of hedging derivatives increasing \$37 million and the \$2 million increase in net capital assets. These increases were partially offset by the cash and investment decrease of \$94 million, the \$76 million decrease in direct financing leases, the loss on debt refunding of \$8 million, and the deferred swap termination of \$5 million.

Liabilities and deferred inflows increased due to the \$133 million in debt increase from new bond and note issuances net of regularly scheduled payments and defeasance, and the \$37 million increase in the derivative instrument liability and the \$49 million increase in unearned revenue. The increases were offset with \$66 million of recognition of Indiana Toll Road revenue and \$4 million less in accounts payable and other liabilities. Effective June 29, 2006, IFA leased the Indiana Toll Road for a one-time payment of \$3.8 billion to the ITRCC for 75 years. As required under the legislation passed by the Indiana General Assembly, IFA transferred \$3.6 billion of the lease payment to the State in July 2006 to fund the Major Moves initiative to improve both State and local transportation infrastructure. IFA recognizes lease revenue over the life of the lease on a straight-line basis.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

Change in Net Position: The following is condensed from the Statement of Activities:

Indiana Finance Authority
Statement of Activities (in millions of dollars)
Year Ended June 30, 2020

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Lease rental	\$ 143	\$ 77	\$ 220
Investment earnings	3	13	16
Interest on loans	-	75	75
State appropriation and grants	9	-	9
Other	69	8	77
Total revenues	224	173	397
Expenses			
IFA operations and other	54	39	93
Interest expense	134	55	189
Distribution to primary government	-	306	306
Total expenses	188	400	588
Capital Contributions	3	76	79
Transfers in (out)	-	-	-
Change in net position	39	(151)	(112)
Net position, beginning of year	749	(1,633)	(884)
Net position , end of year	\$ 788	\$ (1,784)	\$ (996)

The change in net position for the fiscal year ended June 30 was as follows (in millions of dollars):

	<u>2020</u>	<u>2019</u>
Revenues and Capital Contributions	\$ 476	\$ 446
Expenses	<u>(588)</u>	<u>(768)</u>
Change in net position	<u>\$ (112)</u>	<u>\$ (322)</u>

The decrease in net position was \$112 million for the fiscal year ended June 30, 2020, as compared to a decrease of net position of \$322 million for the prior year. Revenue and capital contributions increased by \$30 million, which represents a 6.7% change from the prior year. Expenses decreased by \$180 million, which represents a 23.4% change from the prior year. Revenue and capital contributions increased due to increase in grants from the EPA for qualified drinking water projects and related program purposes. Expenses were lower due to transferring less funds to the State this fiscal year due to the ITRCC lease amendment.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

SIGNIFICANT CAPITAL ASSETS AND LONG TERM-DEBT ACTIVITY

Investment in Direct Financing Leases and Analysis of Recognition of Infrastructure Assets:

IFA's investment in direct financing leases is presented on the Statement of Net Position at \$1 billion. The primary infrastructure assets underlying the leases related to IFA are within the Highway Revenue Bonds and the Indiana Toll Road Lease Fund.

Highway Revenue Bonds - The nature of the direct financing lease activity between IFA and INDOT means that IFA does not own infrastructure assets related to the Highway Revenue Bonds. Instead, IFA has an interest in direct financing lease assets on the Statement of Net Position for \$814 million. For such leases, IFA is the lessor and INDOT is the lessee. INDOT is responsible for reporting information regarding the assessment condition and condition level of the road system funded through Highway Revenue Bonds.

Indiana Toll Road Lease - Historically, the infrastructure assets related to the Indiana Toll Road were reported separate from IFA's reporting entity. IFA reported an equity interest in the overall assets held by the Indiana Toll Road Project. During fiscal year 2006, IFA concluded its lease with INDOT, and leased the Indiana Toll Road to the ITRCC for 75 years. With the inception of the new lease, IFA liquidated its equity interest in the Indiana Toll Road Project. IFA's investment in infrastructure assets, land and land improvements, is \$580 million.

Capital Assets: Property and equipment used for IFA operations are land, bridges, buildings and equipment related to the following: the prior State Office Building Commission, the prior Recreational Development Commission, the Indiana Toll Road Lease Fund, Brownfield, and the Public Private Partnerships. The State Office Building Commission assets have a cost basis of \$602 million and accumulated depreciation of \$221 million. The total decrease in the State Office Building Commission's net capital assets is \$6 million. Capital assets related to the Recreational Development Commission have a cost basis of \$55 million and accumulated depreciation of \$34 million. Indiana Toll Road Lease Fund assets have a cost basis of \$621 million and accumulated depreciation of \$41 million. The Brownfield assets are non-depreciable and have a cost basis of \$4 million. Public Private Partnerships' assets are non-depreciable and have a cost basis of \$1 billion.

(Continued)

**INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020**

**Indiana Finance Authority
Capital and Infrastructure Assets (in millions of dollars)
June 30, 2020**

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total <u>Activities</u>
Capital Assets			
Property, plant and equipment, net:			
State Office Building Commission	\$ 381	\$ -	\$ 381
Recreational Development Commission	-	21	21
Brownfield	4	-	4
State Revolving/Supplemental Fund	-	1	1
Public Private Partnerships	1,020	-	1,020
Indiana Toll Road Lease Fund	<u>-</u>	<u>580</u>	<u>580</u>
Total	<u>\$1,405</u>	<u>\$ 602</u>	<u>\$2,007</u>
Investment in direct financing leases:			
State Office Building Commission	\$ 10	\$ -	\$ 10
Indiana Motorsports Commission	78	-	78
State Fair	-	50	50
Highway Revenue Bonds	<u>814</u>	<u>-</u>	<u>814</u>
Total	<u>\$ 902</u>	<u>\$ 50</u>	<u>\$ 952</u>

Additional information on IFA's capital assets can be found in Note 6 to the financial statements on pages 61 through 62 of this report.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

Debt Activity: Outstanding debt balances (bonds, notes, and contracts payable) are presented as follows for governmental and business-type activities:

Governmental Activities:

Debt	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Highway Revenue Bonds	\$ 880,341,070	\$ -	\$ 66,572,310	\$ 813,768,760
Indiana Motorsports Commission Bonds	82,135,000	-	3,615,000	78,520,000
Public Private Partnerships	138,410,327	-	9,390,816	129,019,511
State Office Building Commission	278,275,963	-	37,180,914	241,095,049
Stadium Project Bonds	1,027,107,470	89,157,739	103,240,605	1,013,024,604
	<u>\$ 2,406,269,830</u>	<u>\$ 89,157,739</u>	<u>\$ 219,999,645</u>	<u>\$ 2,275,427,924</u>

Contract Payable	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Public Private Partnerships	\$ 638,345,410	\$ -	\$ 5,917,091	\$ 632,428,319

Business-Type Activities:

Debt	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
State Revolving Program Fund	\$ 1,803,941,542	\$ 485,607,143	\$ 211,350,490	\$ 2,078,198,195
Recreational Development Commission	12,182,912	-	2,572,467	9,610,445
State Fair	52,249,173	44,295,000	46,285,017	50,259,156
	<u>\$ 1,868,373,627</u>	<u>\$ 529,902,143</u>	<u>\$ 260,207,974</u>	<u>\$ 2,138,067,796</u>

Investment in Direct Financing Leases Activity: Outstanding lease balances are presented as follows for governmental and business-type activities:

Governmental Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
State Office Building Commission	\$ 13,211,956	\$ -	\$ 3,056,393	\$ 10,155,563
Highway Revenue Bonds	880,341,070	-	66,572,310	813,768,760
Indiana Motorsports Commission	82,135,000	-	3,615,000	78,520,000
	<u>\$ 975,688,026</u>	<u>\$ -</u>	<u>\$ 73,243,703</u>	<u>\$ 902,444,323</u>

Business-Type Activities:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
State Fair Fund	\$ 52,249,173	\$ -	\$ 1,990,017	\$ 50,259,156

Additional information on IFA's debt and lease activity can be found in Notes 7, 8, 9, 10 and 11 to the financial statements on pages 63 through 78 of this report.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2020

CURRENTLY KNOWN FACTS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. IFA could experience fluctuations in investment earnings and a potential reduction in toll revenues from a decrease in commuter activity; however, IFA has not seen a significant impact to date. The ultimate impact of the outbreak to IFA's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to IFA.

Governmental Activities

On October 7, 2020, IFA closed on \$125 million Refunding Bonds, Series 2020E (Federally Taxable) for the sole purpose of refunding the entire 2015 Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for interest cost savings. The original purpose of the 2015 TIFIA loan was certain payments made to the developer on the East End Crossing Project.

On July 29, 2020, the IFA remarketed its \$97M Series 2005 A-5 Variable Rate Demand Securities and \$63M Series 2007 A-3 Variable Rate Demand Securities for the Stadium Project. In connection with such remarketing, the Series 2005 A-5 Bonds were converted from the Index Interest Rate Mode to the Daily Mode, while the Series 2007 A-3 Bonds were in the Daily Mode and continue in such Mode. Liquidity for the Series 2005 A-5 Bonds and the Series 2007 A-3 Bonds is provided by Standby Bond Purchase Agreements entered into between the IFA and US Bank National Association, the expiration date of which is July 28, 2023.

DISCLOSURE

These annual financial statements are not a disclosure document, an offering memorandum, an official statement or prospectus for any revenue bond issued by IFA, and no investor should rely on it as such. The information contained in the annual financial statements is limited information. Information and any expression of opinion (other than the report of the independent auditors) contained in the annual financial statements are subject to change. Such information and any opinion speak only as of their date.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of IFA's finances for all those interested in IFA's finances. Questions concerning any of the information should be addressed to IFA at One North Capitol, Suite 900, Indianapolis, IN 46204.

(Continued)

PART 2 - BASIC FINANCIAL STATEMENTS

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash	\$ 1,566,178	\$ 1,836,445	\$ 3,402,623
Investments	389,257,748	500,090,575	889,348,323
Interest receivable on investments and loans	36,677	35,618,159	35,654,836
Prepaid expenses	2,915,980	185,272	3,101,252
Lease income receivable	18,409,215	2,005,161	20,414,376
Grants and accounts receivable	11,568,215	300,151,883	311,720,098
Loans receivable, net	12,453,272	237,431,708	249,884,980
Interfund receivable	973,841	130,039	1,103,880
Investment in direct financing leases	68,104,934	2,065,000	70,169,934
Total current assets	505,286,060	1,079,514,242	1,584,800,302
Noncurrent assets:			
Investments	-	65,805,170	65,805,170
Investment in direct financing leases	834,339,389	48,194,156	882,533,545
Prepaid expenses	94,535,089	3,149,619	97,684,708
Loans receivable, net	949,831,224	2,840,191,394	3,790,022,618
Capital assets, net	1,404,797,285	601,863,071	2,006,660,356
Total noncurrent assets	3,283,502,987	3,559,203,410	6,842,706,397
Total Assets	\$ 3,788,789,047	\$ 4,638,717,652	\$ 8,427,506,699
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources related to pension	\$ 386,459	\$ -	\$ 386,459
Deferred swap termination	55,300,552	-	55,300,552
Loss on debt refunding	12,214,257	10,532,031	22,746,288
Accumulated decrease in fair value of hedging derivatives	144,363,777	-	144,363,777
Total Deferred Outflows of Resources	\$ 212,265,045	\$ 10,532,031	\$ 222,797,076

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 6,431,404	\$ 2,670,557	\$ 9,101,961
Interfund payable	677,511	426,369	1,103,880
Interest payable	25,111,230	36,508,617	61,619,847
Amount due to primary government	77,508,094	-	77,508,094
Unearned revenue	49,108,934	-	49,108,934
Revenue bonds payable	111,695,000	133,485,000	245,180,000
Contract payable	13,649,419	-	13,649,419
Notes payable	11,161,421	6,345,300	17,506,721
Construction retention	377,944	-	377,944
Pollution remediation	-	707,802	707,802
Total current liabilities	<u>295,720,957</u>	<u>180,143,645</u>	<u>475,864,602</u>
Noncurrent liabilities:			
Derivative instrument liability	144,363,777	-	144,363,777
Revenue bonds payable	2,024,557,850	1,840,582,796	3,865,140,646
Contract payable	618,778,900	-	618,778,900
Notes payable	128,013,653	157,654,700	285,668,353
Amount due to federal government	-	71,429	71,429
Net pension liability	1,618,159	-	1,618,159
Total noncurrent liabilities	<u>2,917,332,339</u>	<u>1,998,308,925</u>	<u>4,915,641,264</u>
Total Liabilities	<u>\$ 3,213,053,296</u>	<u>\$ 2,178,452,570</u>	<u>\$ 5,391,505,866</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources related to pension	\$ 259,186	\$ -	\$ 259,186
Advanced payment for service concession agreement	-	3,985,373,200	3,985,373,200
Deferred service concession arrangement receipts	-	269,301,002	269,301,002
Total Deferred Inflows of Resources	<u>\$ 259,186</u>	<u>\$ 4,254,674,202</u>	<u>\$ 4,254,933,388</u>
NET POSITION			
Net investment in capital assets	\$ 488,960,175	\$ 322,596,553	\$ 811,556,728
Restricted for:			
Debt service	174,326,071	5,183,376	179,509,447
Environmental and other projects	-	1,829,636,437	1,829,636,437
Unrestricted	<u>124,455,364</u>	<u>(3,941,293,455)</u>	<u>(3,816,838,091)</u>
Total Net Position	<u>\$ 787,741,610</u>	<u>\$ (1,783,877,089)</u>	<u>\$ (996,135,479)</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating and Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 5,871,470	\$ 5,475,155	\$ 891,066	\$ 494,751	\$ -	\$ 494,751
Conduit Debt Program	210,675	90,000	-	(120,675)	-	(120,675)
Environmental	7,674,551	3,799,956	2,805,322	(1,069,273)	-	(1,069,273)
Transportation Finance	44,390,740	41,285,108	-	(3,105,632)	-	(3,105,632)
State Office Buildings Finance	27,895,887	50,491,281	-	22,595,394	-	22,595,394
Indiana Motorsports Commission	3,251,426	3,251,426	-	-	-	-
Public Private Partnerships	46,422,177	63,127,757	-	16,705,580	-	16,705,580
Stadium and Convention Center Finance	52,190,468	48,030,030	4,160,438	-	-	-
Total Governmental Activities	187,907,394	215,550,713	7,856,826	35,500,145	-	35,500,145
Business-Type Activities:						
Drinking Water and Wastewater	88,245,092	77,240,423	76,419,893	-	65,415,224	65,415,224
Toll Road Lease	306,351,250	76,089,701	-	-	(230,261,549)	(230,261,549)
Local Trans Infrastructure Revolving Fund	14,000	23,994	-	-	9,994	9,994
Flood Control	4,000	18,520	-	-	14,520	14,520
Health and Education	441,318	268,080	-	-	(173,238)	(173,238)
State Fair	2,522,767	2,227,095	-	-	(295,672)	(295,672)
Recreation Development Finance	2,305,590	4,173,722	-	-	1,868,132	1,868,132
Total Business-Type Activities	399,884,017	160,041,535	76,419,893	-	(163,422,589)	(163,422,589)
Total Primary Government	\$ 587,791,411	\$ 375,592,248	\$ 84,276,719	\$ 35,500,145	\$ (163,422,589)	\$ (127,922,444)
General Revenues						
Investment earnings, net				\$ 3,168,079	\$ 12,771,405	\$ 15,939,484
Other Financing Sources						
Transfers				176,252	(176,252)	-
Total General and Other Sources				3,344,331	12,595,153	15,939,484
Change in net position				38,844,476	(150,827,436)	(111,982,960)
Net Position - Beginning of year				748,897,134	(1,633,049,653)	(884,152,519)
Net Position - End of year				\$ 787,741,610	\$ (1,783,877,089)	\$ (996,135,479)

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 1,503,799	\$ -	\$ 1,503,799
Investments	51,257,873	14,889,365	66,147,238
Interest receivable on investments	4,250	1,252	5,502
Interest receivable on loans	-	6,481	6,481
Accounts receivable	3,052,720	-	3,052,720
Loans receivable, net	-	5,276,461	5,276,461
Interfund receivable	651,230	322,611	973,841
Capital assets, net of accumulated depreciation	16	3,531,001	3,531,017
Total Assets	<u>\$ 56,469,888</u>	<u>\$ 24,027,171</u>	<u>\$ 80,497,059</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,953,833	\$ 145,657	\$ 2,099,490
Interfund payable	-	469,651	469,651
Unearned revenue	49,108,934	-	49,108,934
Total Liabilities	<u>51,062,767</u>	<u>615,308</u>	<u>51,678,075</u>
Fund Balances:			
Nonspendable			
Equipment	16	3,531,001	3,531,017
Restricted	-	-	-
Committed			
Environmental Brownfield remediation	-	10,058,768	10,058,768
Assigned			
Environmental Brownfield remediation	-	8,507,583	8,507,583
Unassigned	5,407,105	1,314,511	6,721,616
Total Fund Balances	<u>5,407,121</u>	<u>23,411,863</u>	<u>28,818,984</u>
Total Liabilities and Fund Balances	<u>\$ 56,469,888</u>	<u>\$ 24,027,171</u>	<u>\$ 80,497,059</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - governmental funds \$ 28,818,984

Amounts reported for governmental activities in the statement of net position are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Public Private Partnerships, Indiana Motorsports Commission, and Stadium and Convention Center Financing Program are included in governmental activities in the statement of net position. 760,413,512

Effect of net pension liability and deferred inflow and outflow of resources related to pension liability. (1,490,886)

Net position of governmental activities \$ 787,741,610

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended June 30, 2020**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues			
State appropriations	\$ 5,039,374	\$ 2,500,000	\$ 7,539,374
Investment earnings, net	26,991	226,321	253,312
Interest on loans	-	22,815	22,815
Financing fees and premiums	442,596	90,000	532,596
Grants and other funding	891,066	1,277,141	2,168,207
Total Revenues	<u>6,400,027</u>	<u>4,116,277</u>	<u>10,516,304</u>
Expenditures			
General government	5,925,885	-	5,925,885
Business development	-	210,675	210,675
Environmental	-	7,674,551	7,674,551
Total Expenditures	<u>5,925,885</u>	<u>7,885,226</u>	<u>13,811,111</u>
Excess (Deficit) of Revenues over Expenditures	<u>474,142</u>	<u>(3,768,949)</u>	<u>(3,294,807)</u>
Other Financing Sources			
Capital contributions	-	2,805,322	2,805,322
Total Other Financing Sources	<u>-</u>	<u>2,805,322</u>	<u>2,805,322</u>
Net Change in Fund Balances	474,142	(963,627)	(489,485)
Fund Balances - Beginning of year	<u>4,932,979</u>	<u>24,375,490</u>	<u>29,308,469</u>
Fund Balances - End of year	<u>\$ 5,407,121</u>	<u>\$ 23,411,863</u>	<u>\$ 28,818,984</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Net change in fund balances - governmental funds \$ (489,485)

Amounts reported for governmental activities in the statement of activities are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Public Private Partnerships, Indiana Motorsports Commission, and Stadium and Convention Center Financing Program are included in governmental activities in the statement of activities.

39,279,546

Effect of net pension liability and deferred inflow and outflow of related to net pension liability, pension expense and amortization of deferrals.

54,415

Change in net position of governmental activities

\$ 38,844,476

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020**

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
ASSETS					
Current assets:					
Cash	\$ -	\$ -	\$ 1,836,445	\$ 1,836,445	\$ 62,379
Investments	439,146,794	35,394,072	19,162,557	493,703,423	329,497,662
Interest receivable on investments	480,271	2,927	1,405	484,603	24,928
Interest receivable on loans	35,024,732	-	108,590	35,133,322	-
Prepaid lease	-	-	-	-	3,101,252
Lease income receivable	-	2,005,161	-	2,005,161	18,409,215
Grants and accounts receivable	132,039	300,019,844	-	300,151,883	8,515,495
Loans receivable, net	234,577,160	-	2,854,548	237,431,708	11,855,000
Interfund receivable	-	-	130,039	130,039	-
Investment in direct financing leases	-	-	-	-	70,169,934
Total current assets	709,360,996	337,422,004	24,093,584	1,070,876,584	441,635,865
Noncurrent assets:					
Investments	65,805,170	-	-	65,805,170	-
Investment in direct financing leases	-	-	-	-	882,533,545
Prepaid lease	-	-	-	-	97,684,708
Loans receivable, net	2,832,829,088	-	7,362,306	2,840,191,394	945,153,035
Capital assets, net of accumulated depreciation	106,252	580,051,284	192,861	580,350,397	1,422,778,942
Total noncurrent assets	2,898,740,510	580,051,284	7,555,167	3,486,346,961	3,348,150,230
Total Assets	\$ 3,608,101,506	\$ 917,473,288	\$ 31,648,751	\$ 4,557,223,545	\$ 3,789,786,095
DEFERRED OUTFLOWS OF RESOURCES					
Deferred swap termination	\$ -	\$ -	\$ -	\$ -	\$ 55,300,552
Loss on debt refunding	10,969,366	-	-	10,969,366	11,776,922
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	144,363,777
Total Deferred Outflows of Resources	\$ 10,969,366	\$ -	\$ -	\$ 10,969,366	\$ 211,441,251
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 204,252	\$ 2,025,005	\$ 260,694	\$ 2,489,951	\$ 4,512,520
Interfund payable	387,725	-	38,644	426,369	207,860
Interest payable	35,591,049	-	-	35,591,049	26,028,798
Amount due to primary government	-	-	-	-	77,508,094
Revenue bonds payable	128,355,000	-	-	128,355,000	116,825,000
Contract payable	-	-	-	-	13,649,419
Notes payable	6,345,300	-	-	6,345,300	11,161,421
Construction retention	-	-	-	-	377,944
Pollution remediation	-	707,802	-	707,802	-
Total current liabilities	170,883,326	2,732,807	299,338	173,915,471	250,271,056
Noncurrent liabilities:					
Derivative instrument liability	-	-	-	-	144,363,777
Contract payable	-	-	-	-	618,778,900
Notes payable	157,654,700	-	-	157,654,700	128,013,653
Revenue bonds payable	1,785,843,195	-	-	1,785,843,195	2,079,297,451
Total noncurrent liabilities	1,943,569,324	-	-	1,943,569,324	2,970,453,781
Total Liabilities	\$ 2,114,452,650	\$ 2,732,807	\$ 299,338	\$ 2,117,484,795	\$ 3,220,724,837
DEFERRED INFLOWS OF RESOURCES					
Advanced payment for service concession agreement	\$ -	\$ 3,985,373,200	\$ -	\$ 3,985,373,200	\$ -
Deferred service concession arrangement receipts	-	269,301,002	-	269,301,002	-
Total Deferred Inflows of Resources	\$ -	\$ 4,254,674,202	\$ -	\$ 4,254,674,202	\$ -
NET POSITION					
Net investment in capital assets	\$ 106,252	\$ 310,750,282	\$ -	\$ 310,856,534	\$ 500,700,194
Restricted for debt service	-	-	-	-	179,509,447
Restricted for environmental and other projects	1,504,511,970	300,000,000	25,124,467	1,829,636,437	-
Unrestricted	-	(3,950,684,003)	6,224,946	(3,944,459,057)	100,292,868
Total Net Position	\$ 1,504,618,222	\$ (3,339,933,721)	\$ 31,349,413	\$ (1,803,966,086)	\$ 780,502,509

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF NET POSITION - PROPRIETARY FUNDS TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2020

Total net position - enterprise funds \$(1,803,966,086)

Amounts reported for business-type activities in the statement of net position are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for the State Fair Fund and the Recreational Development Commission are included in business-type activities in the statement of net position.

20,088,997

Net position of business-type activities \$(1,783,877,089)

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the year ended June 30, 2020**

	Enterprise Funds				
	State		Other		
	Revolving Fund	Toll Road Lease Fund	Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
Lease rental income	\$ -	\$ 71,645,830	\$ -	\$ 71,645,830	\$ 149,949,924
Interest on loans	75,248,860	-	214,814	75,463,674	-
Financing fees and premiums	1,753,067	-	268,080	2,021,147	4,174,300
Other funding	-	4,443,871	66,196	4,510,067	58,461,501
Total operating revenue	<u>77,001,927</u>	<u>76,089,701</u>	<u>549,090</u>	<u>153,640,718</u>	<u>212,585,725</u>
Operating Expenses					
Personal services	2,111,689	-	151,956	2,263,645	911,736
Nonpersonal services	57,597	-	226,169	283,766	2,087,438
Professional services	1,330,249	152,365	505,355	1,987,969	3,096,966
Supplies	2,436	-	255	2,691	1,532
Equipment and building fixtures	4,572	-	7,473	12,045	44,838
Travel	8,021	-	7,596	15,617	-
Interest expense	53,055,666	-	-	53,055,666	136,398,653
Depreciation and bond issuance costs	2,102,907	-	-	2,102,907	19,332,322
Grants	-	-	1,244,359	1,244,359	-
Reimbursement agreement loss	2,345,263	-	-	2,345,263	-
Other expense	71,429	262,876	1,448,140	1,782,445	17,105,570
Total operating expenses	<u>61,089,829</u>	<u>415,241</u>	<u>3,591,303</u>	<u>65,096,373</u>	<u>178,979,055</u>
Operating income (loss)	<u>15,912,098</u>	<u>75,674,460</u>	<u>(3,042,213)</u>	<u>88,544,345</u>	<u>33,606,670</u>
Nonoperating Revenues (Expenses)					
Investment earnings, net	13,402,105	458,687	(1,106,670)	12,754,122	2,925,235
Distribution to primary government	-	(305,936,009)	-	(305,936,009)	-
Total nonoperating revenues (expenses)	<u>13,402,105</u>	<u>(305,477,322)</u>	<u>(1,106,670)</u>	<u>(293,181,887)</u>	<u>2,925,235</u>
Income before Capital					
Contributions and Transfers	29,314,203	(229,802,862)	(4,148,883)	(204,637,542)	36,531,905
Capital Contributions	76,419,893	-	-	76,419,893	4,161,132
Forgivable Loan Expense	(24,023,278)	-	-	(24,023,278)	-
Transfers in (out)	<u>(902,671)</u>	<u>(176,252)</u>	<u>902,671</u>	<u>(176,252)</u>	<u>176,252</u>
Change in Net Position	80,808,147	(229,979,114)	(3,246,212)	(152,417,179)	40,869,289
Net Position - Beginning of year	<u>1,423,810,075</u>	<u>(3,109,954,607)</u>	<u>34,595,625</u>	<u>(1,651,548,907)</u>	<u>739,633,220</u>
Net Position - End of year	<u>\$ 1,504,618,222</u>	<u>\$ (3,339,933,721)</u>	<u>\$ 31,349,413</u>	<u>\$ (1,803,966,086)</u>	<u>\$ 780,502,509</u>

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2020**

Net change in net position - enterprise funds \$ (152,417,179)

Amounts reported for business-type activities in the statement of activities are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for the State Fair Fund and the Recreational Development Commission are included in business-type activities in the statement of activities.

1,589,743

Change in net position of business-type activities \$ (150,827,436)

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2020**

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Lease, rent and toll receipts	\$ -	\$ 6,278,219	\$ -	\$ 6,278,219	\$ 207,557,551
Other operating income	47,004	100,307	710,557	857,868	4,570,304
Payments for general and administrative expenses	(4,596,575)	(6,616,725)	(768,591)	(11,981,891)	(25,310,644)
Payments for grants	-	-	(1,244,359)	(1,244,359)	-
Transfers	(902,671)	-	902,671	-	-
Net Cash Provided (Used) by Operating Activities	<u>(5,452,242)</u>	<u>(238,199)</u>	<u>(399,722)</u>	<u>(6,090,163)</u>	<u>186,817,211</u>
Cash Flows from Investing Activities					
Principal repayments of loans	219,900,208	-	3,373,998	223,274,206	99,390,000
Issuance of loans	(707,046,645)	-	(4,132,194)	(711,178,839)	(89,930,478)
Change in investments	39,594,609	-	-	39,594,609	-
Interest received on loans and investments, net	83,827,511	520,540	(860,541)	83,487,510	3,671,167
Issuance of capital lease	-	-	-	-	5,046,410
Purchase/transfer of property and equipment	-	-	-	-	(11,217,056)
Net Cash Provided (Used) by Investing Activities	<u>(363,724,317)</u>	<u>520,540</u>	<u>(1,618,737)</u>	<u>(364,822,514)</u>	<u>6,960,043</u>
Cash Flows from Non-Capital Financing Activities					
Proceeds from debt issuance	485,607,143	-	-	485,607,143	-
Principal payments to reduce indebtedness including refunding	(175,390,578)	-	-	(175,390,578)	-
Payment of debt issuance costs, net of refunding	(2,102,446)	-	-	(2,102,446)	-
Interest paid on debt	(80,002,517)	-	-	(80,002,517)	-
Net Cash Provided by Non-Capital Financing Activities	<u>228,111,602</u>	<u>-</u>	<u>-</u>	<u>228,111,602</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from debt issuance	-	-	-	-	133,452,739
Principal payments to reduce indebtedness	-	-	-	-	(266,761,838)
Interest paid on debt	-	-	-	-	(135,022,918)
Capital lease principal receipts	-	-	-	-	67,180,000
Acquisition of capital assets	-	-	-	-	(8,716,046)
Capital contributions	76,674,356	-	-	76,674,356	4,161,132
Issuance of forgivable loans to participants	(24,023,278)	-	-	(24,023,278)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>52,651,078</u>	<u>-</u>	<u>-</u>	<u>52,651,078</u>	<u>(205,706,931)</u>
Net Increase (Decrease) in Cash and Short-term Investments	<u>(88,413,879)</u>	<u>282,341</u>	<u>(2,018,459)</u>	<u>(90,149,997)</u>	<u>(11,929,677)</u>
Cash and Short-term Investments					
Beginning of Year	527,560,673	35,111,731	23,017,461	585,689,865	341,489,718
End of Year	<u>\$ 439,146,794</u>	<u>\$ 35,394,072</u>	<u>\$ 20,999,002</u>	<u>\$ 495,539,868</u>	<u>\$ 329,560,041</u>
Cash and Short-term Investments					
Cash	\$ -	\$ -	\$ 1,836,445	\$ 1,836,445	\$ 62,379
Short-term Investments	439,146,794	35,394,072	19,162,557	493,703,423	329,497,662
	<u>\$ 439,146,794</u>	<u>\$ 35,394,072</u>	<u>\$ 20,999,002</u>	<u>\$ 495,539,868</u>	<u>\$ 329,560,041</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 15,912,098	\$ 75,674,460	\$ (3,042,213)	\$ 88,544,345	\$ 33,606,670
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Interest on loans	(75,248,860)	-	(214,814)	(75,463,674)	-
Interest expense	53,055,666	-	-	53,055,666	136,398,653
Bond issuance costs	2,102,446	-	-	2,102,446	1,318,912
Amortization of deferred revenue	-	(69,711,175)	-	(69,711,175)	-
Depreciation	461	-	-	461	18,013,410
Distribution to primary government	-	(305,936,009)	-	(305,936,009)	-
Transfer for administrative reimbursement	(902,671)	(176,252)	902,671	(176,252)	176,252
Changes in assets and liabilities:					
Accounts receivable and other assets	31,500	298,028,768	1,824,421	299,884,689	3,706,963
Accounts payable, accrued expenses and other liabilities	(474,311)	1,882,009	130,213	1,537,911	(6,403,649)
Amount due to federal government	71,429	-	-	71,429	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,452,242)</u>	<u>\$ (238,199)</u>	<u>\$ (399,722)</u>	<u>\$ (6,090,163)</u>	<u>\$ 186,817,211</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

The accompanying financial statements of Indiana Finance Authority (IFA) as of June 30, 2020, and for the fiscal year then ended, conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. IFA's significant accounting policies are as follows:

Reporting Entity: IFA is a component unit of the State of Indiana (State) and IFA's primary purpose is to oversee State-related debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in the State. IFA was constituted pursuant to changes made to Indiana Code 4-4-10 & 11 et seq., via Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 (PL 235), replaced by Indiana Code 5-1.2-1-1 et seq., via Public Law 189-2018 as enacted by the Indiana General Assembly in 2018 (PL189).

In order to provide economic efficiencies, management synergies, and enable the State to communicate as one voice with the various participants in the financial markets, the Indiana Development Finance Authority (IDFA), the State Office Building Commission (SOBC), the Indiana Transportation Finance Authority (ITFA), State Revolving Fund Programs (SRF) and the Recreational Development Commission (RDC) were consolidated under the new Indiana Finance Authority on May 15, 2005 in PL 235, replaced by PL189 in 2018. On July 1, 2007, the Indiana Health and Education Facility Finance Authority (IHEFFA) was consolidated under IFA. For purposes of comparison, the previously existing entities are reported in a way that may give the impression that they are still in existence. However, IDFA, SOBC, ITFA, IHEFFA and RDC are no longer existing legal entities. Additional funds that have been created since IFA's inception include Stadium and Convention Center, Indiana Toll Road Lease, State Fair, Public Private Partnerships, Indiana Motorsports Commission, Flood Control Revolving Fund, and Local Transportation Infrastructure Revolving Fund.

IFA's primary programs include:

State Finance Programs: As the successor entity to these formerly separate debt issuing entities, IFA is authorized to issue revenue bonds payable from lease rentals under lease agreements with various State agencies, and to finance or refinance the cost of acquiring, building and equipping structures for State use, including State office buildings, garages, highways, bridges, airport facilities, correctional facilities, State hospitals, and recreational facilities related to State parks.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

Business Finance Programs: The following are IFA's business finance programs:

- Volume Cap - Indiana's \$707 million capacity to issue private activity bonds, competitively awarded based on jobs created and/or retained, wages, capital investment, project location, dedication to low-income housing and other factors.
- Tax-Exempt Bond - Industrial revenue bonds, refunding bonds, 501(c)(3) bonds, and smaller bonds issued monthly.
- Health and Education Facilities - Financing alternatives for Indiana health care organizations and private institutions of higher education.

Environmental Finance Programs: The following are IFA's environmental finance programs:

- Indiana Brownfields Program - The Program offers financial, technical, legal and educational assistance to eligible entities involved in Brownfields redevelopment. IFA works in partnership with the U.S. Environmental Protection Agency (EPA) and other State agencies to assist communities in making productive use of their Brownfield properties.
- State Revolving Fund Programs (SRF) - The SRF Loan Program provides low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure.

Segment Reporting: Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity reported as, or within, an enterprise fund or other reporting entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt.

For the benefit of stakeholders and to address accounting and reporting requirements commonly set forth in bond indentures, IFA has additionally disclosed condensed segment information for all non-conduit debt financing activities regardless of their reporting treatment as enterprise funds or other types of funds, and treatment as major versus non-major in the body of the basic financial statements.

IFA Financial Statements: The basic financial statements include statements required by GASB that present different financial views of IFA:

- The first two statements are government wide financial statements that provide both long-term and short-term information about IFA's overall financial status.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

- The remaining statements are fund financial statements that focus on individual parts of IFA, reporting IFA's operation in more detail than the government wide statements.

The financial statements also include these notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements Basis of Presentation: IFA includes operating functions that conduct governmental activities and business-type activities, which collectively present a government wide summary of the financial position and activities of IFA. The Statement of Net Position and the Statement of Activities display government wide information. IFA's government wide financial statements are divided into two categories:

- **Governmental activities** include the Operating Account (General Fund), Conduit Debt General Program Fund, Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, and Brownfields Cleanup Revolving Fund. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Stadium and Convention Center Financing, Transportation Finance General, Indiana Motorsports Commission, Public Private Partnerships, and State Office Building Commission.
- **Business-type activities** include the State Revolving Fund, Supplemental Fund, Flood Control Revolving Fund, Conduit Debt Program Fund, Indiana Toll Road Lease Fund, Airport Facilities Fund, Local Transportation Infrastructure Revolving Fund, State Fair Fund, and Recreational Development Commission.

B. Fund Financial Statements Presentation: These statements are reported in two categories: Governmental Funds and Proprietary Funds.

1) Governmental Funds - Governmental Funds report activities for IFA and other State Agencies that support the overall State's basic services. Governmental funds include:

General Fund: The General Fund is used to account for IFA activities not required to be accounted for in another fund. Examples of activities accounted for within the General Fund include IFA operating budget activity, program service revenue and expenses, and certain business and environmental finance programs, not included in special revenue funds or other fund types.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. IFA's Special Revenue Funds include the following:

The **Environmental Remediation Revolving Loan Fund (Brownfields Fund)** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues.

The **Conduit Debt General Program Fund** is a special revenue fund, which provides financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code for manufacturing projects, Indiana health care organizations, private institutions of education, and certain other qualified projects.

The **Petroleum Remediation Grant Fund** is a component of the Environmental Remediation Revolving Loan Fund that provides assistance to cities, towns, and counties in Indiana to complete remediation of petroleum contamination at Brownfield sites. IFA administers the program in conjunction with technical staff of the Indiana Department of Environmental Management (IDEM).

The **Brownfields Cleanup Revolving Fund** is a grant fund, which was capitalized by an award from the EPA. The purpose of the Fund is to establish a revolving loan within the grantee's organization, under a Cooperative Agreement with the EPA. The Fund is used solely to finance remediation activities at eligible Brownfield sites.

2) Proprietary Funds - Proprietary funds follow the economic resources measurement focus, which is concerned with the total resources necessary to operate a particular activity. Accordingly, these funds include capital assets and long-term debt that are not included in governmental funds. Proprietary funds include enterprise funds and internal service funds.

Enterprise Funds: Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are reported as enterprise funds if any of the following criteria are met. Governments should apply each of these criteria in the context of an activity's principal revenue source:

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

- The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not solely from fees and charges of the activity.
- Laws or regulations require that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges rather than taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

IFA’s Enterprise Funds include:

State Revolving Fund reports on the Wastewater State Revolving Fund (WSRF) and Drinking Water State Revolving Fund (DWSRF) programs. The federal Water Quality Act of 1987, as amended in 1996, and further amended by the Water Resources and Development Act (WRRDA) of 2014 authorized the United States Environmental Protection Agency (EPA) to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), as replaced by Indiana Code 5-1.2-10 effective July 1, 2018, the State established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), as replaced by Indiana Code 5-1.2-10 effective July 1, 2018, the State has established a public drinking water system program to provide financial assistance for eligible projects. The SRF Programs provide both loans and forgivable loans to public water systems for eligible projects.

Supplemental Fund reports on low interest loans and grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

Conduit Debt Program Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

Flood Control Revolving Fund reports on low interest loans provided to Indiana communities to improve flood control infrastructure.

Indiana Toll Road Lease Fund reports on the operating lease between IFA, as lessor, and Indiana Toll Road Concession Company, LLC (ITRCC), as lessee, to manage and operate the Indiana Toll Road, as approved by certain legislation adopted by the Indiana General Assembly. The operating lease began on June 29, 2006 with a term of 75 years. IFA owns the 157-mile highway, and leases it to ITRCC, which operates from the existing Indiana Toll Road headquarters in Granger, Indiana. IFA received a cash payment of approximately \$3.8 billion upon closing of the lease agreement, and ITRCC will receive all tolls and concession revenues for the next 75 years. On October 5, 2018, IFA amended its agreement with the ITRCC to allow ITRCC to increase the toll rates for heavy vehicles by 35%. As part of the amendment, IFA received \$400 million in fiscal year 2019, and \$300 million in fiscal year 2020 and will receive \$300 million in fiscal year 2021. The proceeds will be used to fund planned road projects in the seven Toll Road counties. The funds received in fiscal year 2019 and fiscal year 2020 were transferred to INDOT's Major Moves Fund, and the remaining funds will be transferred to INDOT's Major Moves Fund when received.

Local Transportation Infrastructure Revolving Fund reports on low interest loans provided to Indiana communities to improve transportation infrastructure.

Internal Service Funds: Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. IFA's Internal Service Funds include:

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

Public Private Partnerships - The Public Private Partnership projects includes a joint project between Kentucky and Indiana to construct Downtown Crossing and East End bridges over the Ohio River. Also included in this fund was the I-69 Section 5 project and I-69 Major Moves project. Public private partnership agreements were initiated between IFA and private parties. The private parties will construct, finance, operate, and maintain the projects. IFA and INDOT entered into use agreements.

Highway Revenue Bonds' primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Indiana Motorsports Commission is an internal service fund providing financing and leasing of real and personal property improvements for the benefit of an owner of a qualified motorsports facility within a motorsports investment district. The Indiana Motorsports Commission oversees construction of such projects.

Stadium and Convention Center Financing Program reports on the financing of the Indiana Stadium and Convention Center project. Construction of the project was managed by the Indiana Stadium and Convention Building Authority (ISCBA). IFA issued \$666 million of lease revenue bonds (Stadium), and \$329 million of lease revenue bonds (Convention Center) to finance a portion of the construction projects. IFA then entered into a loan agreement with the ISCBA structured with a payment schedule to meet debt service requirements on the bonds.

State Fair Fund's primary purpose was to finance the State Fair Coliseum renovation and build a new arena that is managed by the Indiana State Fair Commission. This fund reports on the direct financing activities and construction of the projects.

The previously existing **State Office Building Commission's** primary purpose was to construct, equip and lease state facilities through revenue bonds as authorized by the Indiana General Assembly. The facilities are leased to the Department of Administration (DOA) of the State under use and occupancy agreements. IFA has been authorized to issue debt obligations to provide funds for:

- Financing the implementation of the Indiana Government Center Master Plan

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

- Infrastructure and transportation facilities in its vicinity, certain correctional facilities and certain hospitals
- Financing the Indiana State Museum acquisition, design and construction costs
- Conducting projects to reduce energy consumption costs and other operating costs at qualified state-owned institutions

The previously existing **Recreational Development Commission's** primary purpose was providing funds for projects involving Department of Natural Resources' properties. The Recreational Development Commission (RDC) was created in 1973 by an Act of the General Assembly. Effective May 15, 2005, all powers and duties of the RDC were transferred to IFA under IC 4-4-10.9 & 11, replaced by IC 5-1.2-6 effective July 1, 2018.

The **Transportation Finance General Fund's** primary purpose was reporting on the administrative functions of the Transportation Finance Authority, which included salary and benefits and other expenses that supported the related financings and refinancing activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The government wide statements and the proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For IFA, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they will be matured or liquidated with expendable financial resources.

Fund Accounting: IFA debt financing agreements and indentures may require the use of specific funds or subfunds to account for the activities within a specific bond issue or other IFA activities. As a result, governmental and proprietary funds may have subfunds and accounts that are considered separate accounting entities for internal reporting purposes. The operations of each specific fund are accounted for with a separate set of self-balancing accounts. IFA uses the following subfund types as applicable for debt financing and indenture agreements:

- General Funds
- Expense Funds
- Lease Revenue Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Replacement Reserve Funds
- Construction Funds (including interest and clearing accounts)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Balances and Activity Reporting in Government Wide Financial Statements:

Transaction and balances are recorded as follows:

- **Between funds included in governmental activities column** - Eliminated within the governmental activities column.
- **Between funds included in business-type activities column** - Eliminated within the business-type activities column.
- **Between a fund included in governmental activities column and a fund included in the business-type activities column** - Internal balance; eliminated in the total activities primary government column.

Revenue Recognition: The primary revenue sources of IFA are accounted for as follows:

- State appropriations are made by the General Assembly on a biennial basis. Due to the uncertainty of allotment and release of appropriations, IFA records revenues when cash payments are received.
- Toll lease revenue is recognized on an accrual basis. (proprietary fund and government-wide statements)
- Direct financing lease revenue and operating lease revenue are recognized on an accrual basis. (proprietary funds and government-wide statements)
- Investment earnings are recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Loan interest income is recorded on a modified accrual basis for governmental funds and full accrual for proprietary funds and government-wide statements.
- Grant income is recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Program revenue is recognized on an accrual basis for proprietary funds and government wide statements, and modified accrual basis for governmental funds.

Other relevant policies related to revenues follow:

- Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens as a whole. Program revenues are separately classified in three categories—(a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and interest on debt and depreciation on capital assets. Governmental fund transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally would not be reported as components of operating income.
- For proprietary funds, revenue and expense transactions normally classified as other than operating cash flows are classified as operating revenues and expenses if those transactions constitute principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.
- IFA's policy is to apply externally restricted and reserved funds first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit. Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed (unless reported in the separate column).

Net Position and Fund Balances: Net position is displayed in three components:

- The Net Investment in Capital Assets component consists of property or infrastructure that IFA acquired, net of the related debt.
- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*.
- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components. IFA has reserved fund equity in special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by IFA's governing body.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Governmental Funds:** Fund balances are displayed in five components:
 - Non-spendable fund balance includes amounts not in spendable form.
 - Amounts listed in restricted fund balance are subject to constraints imposed by external organizations. For purposes of determining the ending fund balance, restricted funds are considered to be spent first when an expenditure occurs for which both restricted and unrestricted amounts are available.
 - Committed fund balance is amounts that are designated by an IFA Board resolution to be used for a specific purpose. If expenditure occurs for which committed, assigned or unassigned amounts are available, committed amounts are considered to be spent first, followed by assigned and then unassigned funds.
 - Assigned fund balance amounts are available for commitment by IFA Board resolution to projects within the Brownfield program.
 - Unassigned fund balance is the residual classification for the general fund.

Cash and Equivalents: Cash and equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less.

Investments: Investments are recorded at fair value (see Note 4). Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the Statement of Activities. Securities traded on a national exchange are valued at their last reported sales price on the primary exchange on which they are traded. Securities traded in the over-the-counter market, and listed securities for which no sale was reported on that date, are valued at the last reported bid price.

Capital Assets: Capital assets are recorded at historical cost. Cost includes interest expense, net of interest income, incurred during construction until the asset is placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Infrastructure Assets: The Indiana Toll Road Lease Fund, an enterprise fund, and Public Private Partnerships, an internal service fund, adopted the modified approach for recording infrastructure. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network (hereafter, eligible infrastructure assets) are not required to be depreciated. Condition assessments are performed annually and disclosed as required supplemental information. Expenditures that qualify as maintenance, in nature, are recorded by the lessee. Additions and improvements to eligible infrastructure assets are capitalized by IFA when those additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Direct Financing Leases: Direct financing leases are accounted for by IFA, as lessor, as the sum of minimum lease payments and indirect costs less unearned income. Direct costs and unearned income are amortized over the lease term using the interest rate method that mirrors the underlying long-term debt.

Grants and Accounts Receivable: Grants and accounts receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed. Grant expenditures are subject to audit and acceptance by the granting agency and, because of such audit, adjustments could be required.

An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews grants and accounts receivable and considers the need for an allowance based on current circumstances. Management has estimated that no allowance is necessary at June 30, 2020.

Loans Receivable and Allowance for Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. IFA's sources of funding for loans are from state appropriations and grants. Because there are a small number of significant loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that as of June 30, 2020, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the areas that funds are loaned would increase the likelihood of additional losses because of credit and market risks and could create the need for additional loss allowance.

Unearned Revenue: Unearned revenue consists of funds received under the Coronavirus Aid, Relief, and Economic Security (CARES) Act in advance of eligibility requirements being met. Funds are recognized as revenue once all eligibility requirements are met.

Contract Payable: IFA has entered into a Public-Private Partnership (P3) in regards to the building of the East End Crossing (Louisville - Southern Indiana Ohio River Bridges Project). As part of the P3, the IFA will pay availability payments to the developer. The net present value of the payments are recorded as contract payable.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources: IFA reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government wide and proprietary funds statements of net position. The deferred outflows of resources in the current year are deferred outflows of resources related to pension, deferred swap termination, loss on debt refunding, and accumulated decrease in fair value of hedging derivatives. The deferred outflows of resources related to pension are primarily for contributions made to the defined benefit pension plan between the measurement date of the net pension liabilities from those plans and the end of the fiscal year. The deferred swap termination and the loss on debt refunding are being amortized over the life of the refunding bonds as part of interest expense. In addition, deferred outflows of resources include the fair market value of interest rate swaps (see Note 8).

Deferred Inflows of Resources: IFA's government wide and proprietary funds statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in IFA's various statements of net position primarily for actual pension plan investment earnings in excess of the expected amounts and change in assumptions included in determining pension expense. This deferred inflow of resources is attributed to pension expense. The average expected remaining service lives is used to amortize all deferred inflows of resources related to the pension, except for the difference between expected and actual investment earnings, which is amortized over five years. The deferred inflows of resources also include advanced payment for service concession agreement and deferred service concession arrangement receipts, which are being amortized over the life of the lease.

Amount Due to Primary Government: This following schedule represents governmental fund and internal service fund amounts that were due to the State at June 30, 2020:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Liabilities - Amount due to primary government		
Current:		
Division of Historic Preservation and Archaeology	\$ 89,408	\$ -
Government Center North	5,199,160	-
Government Center South	5,295,924	-
Government Parking Garages	5,214,254	-
Indiana State Museum	4,403,243	-
Miami Correctional Facility	24,600,012	-
Pendleton Juvenile Correctional Facility	14,040,272	-
Rockville Correctional Facility	10,609,623	-
Toxicology Lab Project - ISP	8,051,311	-
Toxicology Lab Project - ISDH	4,887	-
	\$ 77,508,094	\$ -

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Debt: Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Bond Discount and Issuance Costs: Bond discount costs are amortized using the effective interest method over the varying terms of the bonds issued. Issuance costs are recorded as expense when incurred.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or vest.

Subsequent Events: IFA has evaluated the financial statements for subsequent events occurring through October 15, 2020, the date the financial statements were available to be issued. See Note 17.

NOTE 3 - DEPOSITS AND INVESTMENTS

IFA's Investment Policy:

I. Purpose:

This document sets forth the investment policy of State Issuers, as defined below. This policy serves to ensure that the objectives listed below will be met and applies to: (1) the investment of bond proceeds for which State Issuers have investment responsibility and (2) all other funds related to debt issuance and management with respect to a body corporate and politic.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

II. Applicability:

This policy applies to IFA and other bodies corporate and politic (collectively, "State Issuers") including, but not limited to, the Indiana Bond Bank, Indiana Housing and Community Development Authority, Indiana State Fair Commission, Ports of Indiana, Indiana Secondary Market for Education Loans (ISM), d/b/a INvestEd, and all state higher educational institutions; provided, however, that this policy shall not apply to those assets of ISM that are not encumbered by trust or otherwise, and instead the Statement of Investment Objectives and Guidelines for ISM as approved by its Board of Directors at a regularly scheduled meeting on April 17, 2014, shall apply to investment of those assets. For purposes of clarity, with respect to Conduit Debt, which is debt issued by a State Issuer and loaned to a Conduit Borrower, the Conduit Borrower, not the State Issuer shall have the investment responsibility for the proceeds of the Conduit Debt. Such proceeds may be invested in the permitted investments provided for in the resolution or indenture pursuant to which such Conduit Debt is issued and shall not be subject to the other provisions of this investment policy.

Any State Issuer may adapt its own investment policy in lieu of this policy, as long as such alternative policy is no less restrictive than this policy or is approved by the Public Finance Director.

III. Objectives:

The primary objectives, in priority order, of a State Issuer's investment program should be:

A. Safety

Safety of principal should be the foremost objective of the investment program. Investments should be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section VI hereof. Market risk will be minimized both by structuring the portfolio so that investments generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.

B. Liquidity

The investment portfolio should be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio should consist primarily of cash equivalents and securities with active secondary or resale markets.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

C. Yield

The investment portfolio should be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity. Return on investment should typically approximate or exceed the calculated yield on 3-month constant-maturity U.S. Treasury obligations.

D. Full Investment

To the extent practicable, all funds should be fully deployed as earning assets.

E. Minimal Turnover

Securities should typically not be sold, or investment agreements terminated, prior to maturity, with the following exceptions: (1) A declining-credit security can be sold early to minimize the potential loss of principal. (2) A security can be sold and replaced with another if such action improves the quality or yield of the portfolio. (3) A security can be sold early to meet liquidity needs.

IV. Delegation of Authority:

Each State Issuer should appoint an Investment Officer that should establish controls and procedures to implement an investment program, which should include regular reporting to the Public Finance Director and to the governing board of the State Issuer.

V. Standard of Care:

A. Prudence

Investments should be made in accordance with the prudent person standard. This standard provides that an investor should act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

Investment officers acting in accordance with this investment policy statement and any written procedures and exercising due diligence, should be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected results are reported in a timely fashion and that appropriate action is taken to control adverse developments.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

B. Ethics and Conflicts of Interest

Investment Officers should refrain from personal business activity that could conflict with the proper execution and management of a State Issuer's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules, and regulations.

VI. Permitted Investments:

- A. A State Issuer is only permitted to invest indentured funds in those securities authorized by the applicable trust indenture and statutes, which authorizations are hereby made a part of this policy. In addition to restrictions under indentures, it is the policy of a State Issuer to limit allowable investments to the following types of securities:
1. U.S. Treasury securities (*e.g.* bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government
 2. Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, Federal Farm Credit Bank, and Federal Home Loan Bank debt
 - any full-faith-and-credit securities are permitted
 - non-full-faith-and-credit debt securities are permitted if rated in one of the two highest rating categories at the time of purchase by one of the following rating agencies: Fitch, Moody's, and Standard & Poor's (the "Rating Agencies")
 3. Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae, or Freddie Mac
 - any full-faith-and-credit securities are permitted
 - non-full-faith-and-credit pass-through securities are permitted if guaranteed by the issuing agency, and if the issuing agency is rated in one of the two highest rating categories at the time of purchase by one of the Rating Agencies

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

4. Obligations of state and local governments in the United States and their political subdivisions, if rated in one of the three highest rating categories by one of the Rating Agencies at the time of purchase or such obligation is a pre-refunded obligation that has been legally defeased with any investments permitted in this policy. Exposure to the asset class should be limited to 20% of the portfolio market value, with a limit to 5% per issuer.
 5. Repurchase agreements, if at least 102% collateralized by any of the above
 6. Money market mutual funds regulated by the Securities and Exchange Commission
 - o only no-load funds are permitted (*i.e.* no commission, gate or fee should be charged on purchases or sales of shares)
 - o permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
 - o these funds seek to maintain a stable net asset value of \$1.00 per share
 - o by definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940
 7. Commercial paper, if rated in the highest rating category by one of the Rating Agencies, with a maturity not to exceed 370 days. Exposure to the asset class should be limited to 20% of the portfolio market value, with a limit to 5% per issuer.
 8. Investment agreements, if the provider is rated the equivalent of Aa3 or higher by one of the Rating Agencies
 9. Time deposits (includes Certificates of Deposits, Money Market Accounts, Savings, etc) with maturities not exceeding five years, in state- or nationally-chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"), with balances not to exceed the FDIC coverage limit, or in any financial institution designated by the Indiana State Board of Finance as an approved depository for public funds, subject to the Indiana Board for Depositories' Rules of Collateralization
- B. Additional securities may be added to the above approved list with the prior approval of the Public Finance Director and the governing board of the applicable State Issuer.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- C. Investments are not permitted in certain derivatives, nor in certain mutual funds, which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICS.
- D. Pursuant to IC 4-4-11-15(50), replaced by IC 5-1.2-4-1(a)(40) effective July 1, 2018, certain swap agreements (as defined in IC 8-9.5-94) are permissible as part of the bond issuance process, pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7 (Appendix E). These agreements include rate swap agreements, basis swaps, forward rate agreements, interest rate options, rate cap agreements, rate floor agreements, rate collar agreements, and any similar agreements (including any option to enter into any such agreement).
- E. At times, funds may be invested for the betterment of the state economy or that of local entities within the state. These development-oriented investments may not fit the permitted investments listed above. In the future, any such investments will be subject to the prior approval of the Public Finance Director and the governing board of the State Issuer. The Indiana Seed Fund I, LLC, an existing equity investment under the former Indiana Health and Educational Facility Financing Authority, is an example that will not be subject to the requirements herein and was previously approved by that board.

VII. Investment Parameters:

A. Maximum Maturity

To the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, a State Issuer should not typically invest in securities maturing more than five years from the date of purchase. However, reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.

B. Average Maturity

The average weighted maturity of the portfolio should not typically exceed two years.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

C. Diversification

Investments should be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury and Agency securities, the total portfolio should consist of no more than 20% of any single type of security.

D. Investment Directives

In lieu of specific investment directives, an Investment Officer may issue general directives to the appropriate trustee for the investment of certain funds. These directives should be consistent with this Policy and the appropriate trust indenture.

VIII. Authorized Broker/Dealers:

- A. All financial institutions currently serving as trustee for any State Issuer or component unit of a State Issuer are authorized to provide investment services, including investment advice, to a State Issuer. In addition, the Investment Officers should maintain a list of broker/dealers authorized to provide a State Issuer with investment services and advice. Such list should be reported to a State Issuer on an annual basis. Broker/dealers may be primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than as an advisor should provide a State Issuer with the following in order to be initially approved and update the same annually, every July 1, for as long as the Authorized Broker/Dealer conducts business with the IFA:
- Current audited financial statements
 - Copies of their firm's Financial Industry Regulatory Authority ("FINRA") BrokerCheck Report, including the related reporting information for all individuals who will work on the IFA Account
 - Authorized Brokers/Dealers are required to update the IFA if any new Disclosure Events are posted to their FINRA BrokerCheck Report regarding the firm or any individuals working for the firm between yearly disclosures
 - Certification of having read this Investment Policy
- B. Each Investment Officer is authorized to enter into safekeeping agreements, wire transfer agreements or other agreements necessary or useful in administering this policy. A background check is required for each Investment Officer prior to this authorization.
- C. The Investment Officers should conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- D. In the event that an external investment advisor is used to assist with the management of assets, the investment advisors approved broker dealer list shall be kept on file and will be reviewed annually for changes.

IX. Safekeeping and Custody:

A. Communication

All investment transactions, including, but not limited to, those completed by telephone, should be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on State Issuer's letterhead.

B. Book Entry

A State Issuer should strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities should be physically stored or kept in the offices of a State Issuer.

C. Custodial Safekeeping

Securities purchased from any bank or dealer, including collateral when appropriate, should generally be placed with the appropriate trustee or with an independent third party for safekeeping.

Any security that is able to be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Any security not able to be wired over the FedWire that is held by the Depository Trust Corporation (DTC), should be held in the name of a State Issuer or trustee through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for a State Issuer or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by a State Issuer or the appropriate trustee).

D. Delivery vs. Payment

All securities will be held in accounts in the name of the State Issuer or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

X. Performance and Reporting:

A. Annual Report

The Investment Officers should prepare an investment report at least annually, which should provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report should be designed to allow the governing body of a State Issuer and the Public Finance Director to ascertain whether the investment activities during the reporting period have conformed to this policy.

B. Performance

The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance should be compared at least annually to the yield on 3-month U.S. Treasury obligations. Such performance comparison should be included in the annual report.

XI. Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments.

At June 30, 2020, IFA had the following investments and maturities:

Governmental Activities:	Investment Maturities (in years)			
	Fair Value	Less than One Year	One to Five Years	Six to Ten Years
Investment Type				
Money Market Investment	\$ 349,129,770	\$ 349,129,770	\$ -	\$ -
Bank Deposits	40,127,978	40,127,978	-	-
Total	\$ 389,257,748	\$ 389,257,748	\$ -	\$ -

Business-Type Activities:	Investment Maturities (in years)			
	Fair Value	Less than One Year	One to Five Years	Six to Ten Years
Investment Type				
Money Market Investment	\$ 390,671,568	\$ 390,671,568	\$ -	\$ -
U.S. Treasury	87,002,165	37,021,101	37,201,721	12,779,343
Government Obligations	88,222,012	72,397,906	15,824,106	-
Total	\$ 565,895,745	\$ 500,090,575	\$ 53,025,827	\$ 12,779,343

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

XII. Custodial Credit Risk:

Custodial credit risk is the risk that IFA will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of IFA, and are held by either the counterparty of the counterparty's trust department or agent but not in IFA's name.

Due to compliance with provisions within IFA's Investment Policy, there was no custodial credit risk.

XIII. Credit Risk:

IFA's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub asset classes and or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2020 are as follows:

Governmental Activities:

<u>Investment Type</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>
Money Market Investment	AAAm	Aaa-mf	N/A	\$ 331,423,679
	AAAm	Aaa-mf	AAAmmf	17,706,091
Bank Deposits	N/A	Aa1	AA+	39,742,978
	AA-	Aa1	AA+	385,000
				<u>\$ 389,257,748</u>

Business-Type Activities:

<u>Investment Type</u>	<u>S & P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Fair Value</u>
Money Market Investment	AAAm	Aaa-mf	N/A	\$ 390,671,568
U.S. Treasury	AA+	Aaa	AAA	87,002,165
Government Obligations	AA+	Aaa	AAA	88,222,012
				<u>\$ 565,895,745</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

XIV. Concentration of Credit Risk:

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. Under IFA's Investment Policy Statement, investments should be diversified by type of security and institution. Except for cash equivalents, indenture purpose investments, and U.S. Government Securities, the total portfolio should consist of no more than 20% of any single type of security. At June 30, 2020, there were no concentrations of credit risk.

The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2020:

BlackRock Fed Fund Instl 30	51%
Dreyfus Govt Cash Management Instl 289	21%
U.S. Treasury	9%
Federal Government Agency Debt	9%

XV. Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investments are not included as allowable investments per IFA's policy. At June 30, 2020, there was no foreign currency risk exposure.

XVI. Securities Lending:

The State Treasurer is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50% of the combined capital, surplus and undivided profits of that depository as determined by the last published statement (IC 5-13-10-3).

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the U.S., an agency of the U.S. government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Collateral securities and cash are initially pledged at 102% of the market value of the securities lent. The collateral securities cannot be pledged or sold by the State Treasurer unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. The contracts with custodians require them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2020, the investments had no credit risk exposure on securities lending.

XVII. Deposit Risks:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the four demand deposit accounts are carried at cost and are insured up to \$250,000 per financial institution. Deposits in the interest-bearing demand accounts held in excess of \$250,000 are not collateralized.

At June 30, 2020, the carrying amount of demand deposits was \$3,402,533, and bank balances were \$3,402,545. IFA's maximum risk was \$2,902,545 at June 30, 2020.

NOTE 4 - FAIR VALUE MEASUREMENTS

IFA has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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

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

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

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

Following is a description of the valuation methodologies used by IFA for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2020.

Money Market Funds: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

Bank Deposits: Determined by discounting the related cash flows on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

Government Obligations and U.S. Treasury: Valued using pricing models maximizing the use of observable inputs for similar securities.

Interest Rate Swap Derivatives: Valued by a third-party by using models which include assumptions about the interest yield curve at the reporting date. IFA uses the valuation provided by the counterparty without adjustment. See Note 8.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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

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

Following is a summary, within each level of the fair value hierarchy, of IFA' assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Measured at NAV	Total
Assets					
Investments:					
Money Markets Fund Shares	\$ 739,801,338	\$ -	\$ -	\$ -	\$ 739,801,338
Bank Deposits	-	40,127,978	-	-	40,127,978
Government Obligations and U.S. Treasury	-	175,224,177	-	-	175,224,177
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets at Fair Value	<u>\$ 739,801,338</u>	<u>\$ 215,352,155</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,153,493</u>
Liabilities					
Derivative Instrument Liability			<u>\$ 144,363,777</u>		<u>\$ 144,363,777</u>

At June 30, 2020, IFA had no other assets or liabilities that are measured at fair value on a recurring basis.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 - LOANS RECEIVABLE

IFA has six programs that provide loans to qualified participants including:

Governmental Activities:

- 1) **Environmental Remediation Revolving Loan Fund (Brownfields)** - Loans facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues. Net loans receivable were \$5,276,461 at June 30, 2020.
- 2) **Stadium and Convention Center Financing** - Loans provided to the Indiana Stadium and Convention Center Building Authority (ISCBA) for the construction of Lucas Oil Stadium and the expansion of the Indianapolis Convention Center. Loans receivable were \$957,008,035 at June 30, 2020.

Business-Type Activities:

- 3) **State Revolving Fund** - Low interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. Net loans receivable were \$3,067,406,248 at June 30, 2020.
- 4) **Supplemental Fund** - Low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure. Net loans receivable were \$7,742,779 at June 30, 2020.
- 5) **Flood Control Revolving Fund** - Low interest loans provided to Indiana communities to improve flood control infrastructure. Net loans receivable were \$916,706 at June 30, 2020.
- 6) **Local Transportation Infrastructure Revolving Fund** - Low interest loans provided to Indiana communities to improve transportation infrastructure. Net loans receivable were \$1,557,369 at June 30, 2020.

Additional disclosures are provided below for each loan program:

1) Environmental Remediation Revolving Loan Fund (Brownfields)

Loans receivable were comprised of the following at June 30, 2020:

Loans receivable noncurrent	\$ 4,731,189
Loans receivable current	598,272
Less: allowance for uncollectible loans	<u>(53,000)</u>
	<u>\$ 5,276,461</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 - LOANS RECEIVABLE (Continued)

There were thirteen loans and advances outstanding with Indiana municipalities at June 30, 2020. Approximately \$664,000 was available for disbursement on five outstanding loan commitments. Interest earned on these loans receivable during the year ended June 30, 2020 was approximately \$23,000, and accrued interest was approximately \$6,500 at June 30, 2020.

The program includes a partially forgivable loan program with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. IFA has recorded an allowance that represents the current amount available for forgiveness on loans that qualified under the program.

2) Stadium and Convention Center Financing

Loans receivable equal the balance of the Stadium and Convention Center bonds issued by IFA. Loans receivable were comprised of the following at June 30, 2020:

Stadium noncurrent	\$ 615,965,955
Stadium current	11,085,000
Convention Center noncurrent	329,187,080
Convention Center current	<u>770,000</u>
	<u>\$ 957,008,035</u>

Interest earned on these loans receivable was approximately \$48,030,000 during the year ended June 30, 2020, and accrued interest was approximately \$13,707,000 at June 30, 2020.

Due to the nature of the financing of these loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2020.

3) State Revolving Fund

The loans receivable balance at June 30, 2020 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

Wastewater Fund noncurrent	\$2,373,077,246
Wastewater Fund current	204,386,689
Drinking Water Fund noncurrent	505,836,155
Drinking Water Fund current	<u>30,190,471</u>
	3,113,490,561
Less: allowance for forgivable portion - Wastewater	(38,922,578)
Less: allowance for forgivable portion - Drinking Water	<u>(7,161,735)</u>
	<u>\$3,067,406,248</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 - LOANS RECEIVABLE (Continued)

These amounts represent projects that have been submitted and approved by IFA, and the loans have been closed. Interest earned on these loans receivable was approximately \$75,249,000 during the year ended June 30, 2020, and accrued interest was approximately \$35,025,000 at June 30, 2020.

4) Supplemental Fund

Loans receivable were comprised of the following at June 30, 2020:

Loans receivable noncurrent	\$ 7,564,631
Loans receivable current	2,668,882
Less: allowance for uncollectible loans	(103,000)
Less: allowance for forgivable portion of Supplemental loans	<u>(2,387,734)</u>
	<u>\$ 7,742,779</u>

There were forty-nine loans and advances outstanding with Indiana municipalities for drinking water and wastewater projects at June 30, 2020. Interest earned on these loans receivable during the year ended June 30, 2020 was approximately \$172,000, and accrued interest was approximately \$78,000 at June 30, 2020.

5) Flood Control Revolving Fund

Loans receivable were comprised of the following at June 30, 2020:

Loans receivable noncurrent	\$ 741,040
Loans receivable current	185,666
Less: allowance for uncollectible loans	(10,000)
	<u>\$ 916,706</u>

There were twelve loans and advances outstanding with Indiana municipalities for flood control projects at June 30, 2020. Interest earned on these loans receivable was approximately \$19,000 during the year ended June 30, 2020, and accrued interest was approximately \$4,000 at June 30, 2020.

6) Local Transportation Infrastructure Revolving Fund

Loans receivable were comprised of the following at June 30, 2020:

Loans receivable noncurrent	\$ 1,573,369
Less: allowance for uncollectible loans	<u>(16,000)</u>
	<u>\$ 1,557,369</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 5 - LOANS RECEIVABLE (Continued)

There is one loan and advance outstanding with a Indiana municipality for local infrastructure projects at June 30, 2020. Interest earned on these loans receivable was approximately \$24,000 during the year ended June 30, 2020, and accrued interest was approximately \$26,000 at June 30, 2020.

NOTE 6 - CAPITAL ASSETS

Governmental Activities:

Capital assets used in governmental activities included the following for the State Office Building Commission, Public Private Partnerships, Operating Accounts and Environmental Remediation Revolving Loan Fund:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Capital assets, not being depreciated				
Land	\$ 5,663,731	\$ -	\$ -	\$ 5,663,731
Infrastructure	1,011,228,266	8,716,047	-	1,019,944,313
Construction in progress	83,924,038	4,905,688	69,246,136	19,583,590
Total capital assets, not being depreciated	<u>1,100,816,035</u>	<u>13,621,735</u>	<u>69,246,136</u>	<u>1,045,191,634</u>
Capital assets being depreciated:				
Buildings and improvements	496,416,364	75,182,495	-	571,598,859
Furniture, machinery and equipment	9,001,971	159,777	-	9,161,748
Total capital assets, being depreciated	<u>505,418,335</u>	<u>75,342,272</u>	<u>-</u>	<u>580,760,607</u>
Less accumulated for:				
Buildings and improvements	200,215,359	16,253,983	-	216,469,342
Furniture, machinery and equipment	4,312,312	373,302	-	4,685,614
Total accumulated depreciation	<u>204,527,671</u>	<u>16,627,285</u>	<u>-</u>	<u>221,154,956</u>
Total capital assets being depreciated, net	<u>300,890,664</u>	<u>58,714,987</u>	<u>-</u>	<u>359,605,651</u>
Capital assets, net	<u>\$ 1,401,706,699</u>	<u>\$ 72,336,722</u>	<u>\$ 69,246,136</u>	<u>\$ 1,404,797,285</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 6 - CAPITAL ASSETS (Continued)

Business-Type Activities:

Capital assets used in business-type activities included the following for the Indiana Toll Road Lease Fund, Recreational Development Commission, and State Revolving Fund:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020
Capital assets, not being depreciated				
Land	\$ 29,061,710	\$ -	\$ -	\$ 29,061,710
Infrastructure	484,036,648	-	-	484,036,648
Construction in progress	435,866	162,210	330,866	267,210
Total capital assets, not being depreciated	<u>513,534,224</u>	<u>162,210</u>	<u>330,866</u>	<u>513,365,568</u>
Capital assets being depreciated:				
Buildings and improvements	130,731,663	383,886	-	131,115,549
Furniture, machinery and equipment	32,840,806	-	-	32,840,806
Total capital assets, being depreciated	<u>163,572,469</u>	<u>383,886</u>	<u>-</u>	<u>163,956,355</u>
Less accumulated for:				
Buildings and improvements	73,613,715	1,331,485	-	74,945,200
Furniture, machinery and equipment	458,522	55,130	-	513,652
Total accumulated depreciation	<u>74,072,237</u>	<u>1,386,615</u>	<u>-</u>	<u>75,458,852</u>
Total capital assets being depreciated, net	<u>89,500,232</u>	<u>(1,002,729)</u>	<u>-</u>	<u>88,497,503</u>
Capital assets, net	<u>\$ 603,034,456</u>	<u>\$ (840,519)</u>	<u>\$ 330,866</u>	<u>\$ 601,863,071</u>

At June 30, 2020, IFA had the following construction and related cost commitments:

Governmental Activities:

Public Private Partnerships - IFA has entered into a Public-Private Agreement with a developer for the building of the East End Crossing (Louisville - Southern Indiana Ohio River Bridges Project). IFA pays availability payments to the developer of the East End Crossing project. IFA has entered into a Use Agreement with INDOT, which provides that INDOT will make payments to IFA in an amount equal to the availability payments. The net present value of the availability payments are approximately \$632 million.

Business-Type Activities:

Indiana Toll Road Lease Fund - Commitments related to the Indiana Toll Road were approximately \$708,000 for environmental remediation projects.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 7 - DIRECT FINANCING LEASES

At June 30, 2020, IFA's future minimum lease amounts receivable under direct financing leases were as follows:

Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2021	\$ 68,104,934	\$ 41,802,742	\$ 109,907,676
June 30, 2022	73,214,033	38,330,642	111,544,675
June 30, 2023	76,053,855	34,599,646	110,653,501
June 30, 2024	79,857,125	30,763,602	110,620,727
June 30, 2025	81,570,616	26,775,577	108,346,193
2026 - 2030	378,175,000	76,178,123	454,353,123
2031 - 2035	84,825,000	20,440,457	105,265,457
2036 - 2037	33,105,000	2,161,102	35,266,102
	<u>874,905,563</u>	<u>271,051,891</u>	<u>1,145,957,454</u>
Less remaining accretion / discount	27,538,760	-	27,538,760
	<u>\$ 902,444,323</u>	<u>\$ 271,051,891</u>	<u>\$ 1,173,496,214</u>

Business-Type Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2021	\$ 2,065,000	\$ 1,358,220	\$ 3,423,220
June 30, 2022	2,345,000	1,304,780	3,649,780
June 30, 2023	2,435,000	1,219,385	3,654,385
June 30, 2024	2,535,000	1,150,109	3,685,109
June 30, 2025	2,585,000	1,097,003	3,682,003
2026 - 2030	13,860,000	4,525,726	18,385,726
2031 - 2035	15,875,000	2,536,598	18,411,598
2036 - 2039	8,185,000	330,545	8,515,545
	<u>49,885,000</u>	<u>13,522,366</u>	<u>63,407,366</u>
Less remaining accretion / premium	374,156	-	374,156
	<u>\$ 50,259,156</u>	<u>\$ 13,522,366</u>	<u>\$ 63,781,522</u>

**INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020**

NOTE 7 - DIRECT FINANCING LEASES (Continued)

IFA's changes in direct financing leases were as follows based on type of activity:

Governmental Activity

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year	Amount Due Thereafter
State Office Building Commission	\$ 13,211,956	\$ -	\$ 3,056,393	\$ 10,155,563	\$ 1,549,934	\$ 8,605,629
Highway Revenue Bonds	880,341,070	-	66,572,310	813,768,760	62,855,000	750,913,760
Indiana Motorsports Commission	82,135,000	-	3,615,000	78,520,000	3,700,000	74,820,000
	<u>\$ 975,688,026</u>	<u>\$ -</u>	<u>\$ 73,243,703</u>	<u>\$ 902,444,323</u>	<u>\$ 68,104,934</u>	<u>\$ 834,339,389</u>

Business-Type Activity

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Amounts Due Within One Year	Amount Due Thereafter
State Fair Fund	\$ 52,249,173	\$ -	\$ 1,990,017	\$ 50,259,156	\$ 2,065,000	\$ 48,194,156
	<u>\$ 52,249,173</u>	<u>\$ -</u>	<u>\$ 1,990,017</u>	<u>\$ 50,259,156</u>	<u>\$ 2,065,000</u>	<u>\$ 48,194,156</u>
	<u>\$ 1,027,937,199</u>	<u>\$ -</u>	<u>\$ 75,233,720</u>	<u>\$ 952,703,479</u>	<u>\$ 70,169,934</u>	<u>\$ 882,533,545</u>

Direct financing lease interest rates are structured based on the related bonds principal and interest schedules that are reflected in Note 8 of the financial statements for each bond issue or note payable.

State Office Building Commission

IFA entered into three separate Energy Cost Savings Leases on behalf of the Department of Correction (DOC). The concept of the Energy Cost Savings Lease is that the savings from energy expenses can be used to pay for the debt service incurred to install the equipment necessary to create these savings. IFA has signed a Use and Occupancy Agreement with DOC that will charge DOC the full amount of the debt service (plus any additional cost like insurance) for the lease that has been signed by IFA and the lessor of the equipment (a financial company in all cases). DOC expects to pay for the lease by using their General Fund Appropriations. Neither DOC nor IFA is obligated to use any other revenues to pay such lease rentals. Upon the completion of the lease, DOC will own the property.

Highway Revenue Bonds

IFA issues its highway revenue bonds to finance and refinance highway and bridge projects, as follows:

- INDOT leases right-of-way and other property, on which a highway or bridge project is to be situated, to IFA under a ground lease agreement and supplement for the particular project.
- INDOT constructs the project for IFA under a construction agreement and supplement for the particular project.
- Once constructed, IFA leases the project to INDOT under a master lease agreement and supplement for the particular project.

Lease payments made by INDOT under the master lease and supplements are used to pay debt service on the highway revenue bonds when due.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 7 - DIRECT FINANCING LEASES (Continued)

Under the construction and other agreement and supplements for the highway and bridge projects, IFA reimburses INDOT for construction and design costs incurred by INDOT. Costs not yet reimbursed are recorded in the construction fund as accrued expenses.

Indiana Motorsports Commission

IMC Lease Revenue Bonds were issued to finance property improvements at IMS. IFA and IMC entered into a Lease Agreement where IFA would lease back existing property under the lease as well as property improvements. IMC is obligated to pay to IFA lease rentals sufficient to pay the principal and interest on the revenue bonds. Rights upon termination of property and improvements go to IMS.

State Fair Fund

The Indiana State Fair Commission (ISFC) Facility Revenue Bonds were issued to finance property improvements at the Indiana State Fairgrounds. IFA and ISFC entered into a Master Use and Occupancy Agreement where IFA would lease back existing property under the Base Lease as well as property improvements. The ISFC is obligated to pay to IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds. ISFC will pay lease payments from Coliseum revenues. Rights upon termination of property and improvements go to ISFC.

NOTE 8 - BONDS AND NOTES PAYABLE

Collateral

The SRF Programs are structured to provide cross-collateralization in accordance with Federal Environmental Law, the bond indenture and SRF indentures, generally by providing a mechanism for pledged funds from either of the SRF Programs to be made available to the other. To effect such cross-collateralization, the SRF indentures allow the SRF trustee to disburse certain assets in the trust estate from either SRF Program and at the written direction of the program representative to collateralize, fund, or secure the other SRF Program, including transfers between the Drinking Water Fund and the Wastewater Fund, subject to provisions of State Environmental Law and Federal Environmental Law. However, under Federal Environmental Law, the bond indenture, and SRF indentures, cross-collateralization may not be used to provide for payment of debt service on bonds.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Events of Default and Remedies - General Obligation Bonds

The bond agreements allow for remedies in case there is an event of default. An event of default can be (i) default in the due and punctual payment of any principal or interest on any bond (ii) any warranty, representation or other statement contained in the bond indenture or bonds that is false or misleading and not remedied in appropriate time (iii) default in the performance or observance of any other of the covenants, agreements, or conditions on the part

of IFA contained in the bond indenture or in the bonds (iv) a petition is filed against IFA or IFA files a petition under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation of any jurisdiction and (v) IFA is generally not paying their debts as such debts become due.

The remedies include the following (i) the bond trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the bonds (ii) the bond trustee may by action or suit in equity require IFA to account as if it were the trustee of an express trust for the holders of the bonds and may take such action with respect to the indentures as the bond trustee deems necessary or appropriate and in the best interest of the bondholders (iii) upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the bond trustee and of the bondholders under the bond indenture, the bond trustee will be entitled to the appointment of a receiver or receivers of the trust estate and (iv) use the assets of the series trust estate for any series of bonds solely for payment of the principal and interest due on such series of bonds.

Events of Default and Remedies - SOBC Energy Savings Notes Payable

The lease agreements allow for remedies in case there is an event of default. An event of default can be (i) failure by IFA to pay any rental payment or other payment required to be paid under the lease within 10 days after the date when due and maintain insurance as required (ii) failure by IFA to observe and perform any covenant, condition or agreement contained in the agreement or any lease on its part to be observed or performed (iii) any warranty, representation or other statement contained in the lease that is false or misleading and not remedied in appropriate time (iv) an event of default shall occur and be continuing under the use and occupancy agreement and (v) upon termination of the use and occupancy agreement.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

The remedies include the following (i) the lessor may declare all rental payments payable by IFA pursuant to each lease and other amounts payable under the agreement (ii) with or without terminating the lease term under any lease, the lessor may, subject to the use and occupancy agreement, enter the premises where the equipment is located and retake possession of such equipment or require IFA at IFA's expense to promptly return any or all of such equipment to the possession of the lessor (iii) lessor may terminate any or each acquisition fund agreement and apply any proceeds in the acquisition fund to rental payments and (iv) lessor may take whatever action at law or in equity may appear necessary or desirable to enforce its rights under each lease or acquisition fund agreement.

Events of Default and Remedies - Public Private Partnerships Note Payable

The loan agreement under the Transportation Infrastructure Finance and Innovation Act (TIFIA) allows for remedies in case there is an event of default. An event of default can be (i) payment default (ii) covenant default (iii) development default (iv) misrepresentation default (v) failure to maintain existence (vi) occurrence of a bankruptcy related event (vii) project abandonment (viii) any loan document ceases to be in full force and effect and (ix) cessation of operations.

The remedies include the following (i) all obligations of the TIFIA lender with respect to the disbursement of any undisbursed amounts of the TIFIA loan shall immediately be terminated, and unpaid principal amount of the TIFIA loan, together with all interest accrued thereon and all fees, costs, expenses, indemnities and other amounts payable under the agreement shall automatically become due and payable (ii) be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of any sums due and unpaid and (iii) TIFIA lender may suspend or debar IFA from further participation in any Government program administered by the TIFIA lender and to notify other departments and agencies of such default.

Events of Default and Remedies - State Revolving Loan Fund Note Payable

The loan agreement under the Water Infrastructure Finance and Innovation Act (WIFIA) allows for remedies in case there is an event of default. The events of default and remedies are consistent with the TIFIA note payable discussed above.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

At June 30, 2020, the debt service requirements for bonds and notes payable under governmental and business-type activities were as follows:

Governmental Activities:

	General Obligation Revenue Bonds Payable				Direct Placement Notes Payable		Governmental Total
	Highway Revenue Bonds	Indiana Motorsports Commission	State Office Building Commission	*Stadium & Convention Center Financing	State Office Building Commission	Public Private Partnerships	
Principal:							
June 30, 2021	\$ 62,855,000	\$ 3,700,000	\$ 33,285,000	\$ 11,855,000	\$ 1,549,934	\$ 9,611,487	\$ 122,856,421
June 30, 2022	66,270,000	3,800,000	23,390,000	12,985,000	3,144,033	9,824,919	119,413,952
June 30, 2023	68,935,000	3,915,000	21,290,000	14,080,000	3,203,855	10,047,223	121,471,078
June 30, 2024	73,570,000	4,040,000	14,400,000	15,240,000	2,247,125	10,271,630	119,768,755
June 30, 2025	77,385,000	4,175,000	14,885,000	16,410,000	10,616	10,509,765	123,375,381
2026-2030	354,820,000	23,355,000	56,140,000	173,090,000	-	56,210,445	663,615,445
2031-2035	55,920,000	28,905,000	45,050,000	361,110,000	-	22,544,042	513,529,042
2036-2040	26,475,000	6,630,000	20,345,000	358,700,000	-	-	412,150,000
	<u>786,230,000</u>	<u>78,520,000</u>	<u>228,785,000</u>	<u>963,470,000</u>	<u>10,155,563</u>	<u>129,019,511</u>	<u>2,196,180,074</u>
Remaining accretion / premium (discount)	<u>27,538,760</u>	<u>-</u>	<u>2,154,486</u>	<u>49,554,604</u>	<u>-</u>	<u>-</u>	<u>79,247,850</u>
	<u>\$ 813,768,760</u>	<u>\$ 78,520,000</u>	<u>\$ 230,939,486</u>	<u>\$ 1,013,024,604</u>	<u>\$ 10,155,563</u>	<u>\$ 129,019,511</u>	<u>\$ 2,275,427,924</u>
Interest:							
June 30, 2021	\$ 38,508,850	\$ 3,198,116	\$ 7,386,089	\$ 46,588,862	\$ 95,776	\$ 2,845,728	\$ 98,623,421
June 30, 2022	35,091,694	3,091,561	6,193,022	46,696,728	147,387	2,632,296	93,852,688
June 30, 2023	31,540,638	2,971,443	5,347,185	46,062,956	87,565	2,409,992	88,419,779
June 30, 2024	27,895,763	2,841,237	4,718,084	46,003,918	26,602	2,185,585	83,671,189
June 30, 2025	24,074,338	2,701,145	4,215,181	45,709,378	94	1,947,449	78,647,585
2026-2030	65,268,613	10,909,511	15,286,468	212,069,256	-	6,075,629	309,609,477
2031-2035	15,279,250	5,161,207	7,811,854	141,535,990	-	609,438	170,397,739
2036-2040	2,001,750	159,352	743,917	41,901,099	-	-	44,806,118
	<u>\$ 239,660,896</u>	<u>\$ 31,033,572</u>	<u>\$ 51,701,800</u>	<u>\$ 626,568,187</u>	<u>\$ 357,424</u>	<u>\$ 18,706,117</u>	<u>\$ 968,027,996</u>
Total Debt Service	<u>\$ 1,053,429,656</u>	<u>\$ 109,553,572</u>	<u>\$ 282,641,286</u>	<u>\$ 1,639,592,791</u>	<u>\$ 10,512,987</u>	<u>\$ 147,725,628</u>	<u>\$ 3,243,455,920</u>

* Total interest reflects variable rate bond interest payments and net swap payments assuming current interest rates (at June 30, 2020) remain the same in future years.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Business-Type Activities:

	General Obligation Revenue Bonds Payable					Direct Placement Notes Payable	Business-Type Total
	Enterprise		Internal Service			Enterprise	
	State Revolving Loan Fund	Total	Recreational Development Commission	State Fair Fund	Total	State Revolving Loan Fund	
Principal:							
June 30, 2021	\$ 128,355,000	\$ 128,355,000	\$ 3,065,000	\$ 2,065,000	\$ 5,130,000	\$ 6,345,300	\$ 139,830,300
June 30, 2022	112,970,000	112,970,000	3,225,000	2,345,000	5,570,000	3,773,200	122,313,200
June 30, 2023	106,850,000	106,850,000	1,895,000	2,435,000	4,330,000	3,639,300	114,819,300
June 30, 2024	107,755,000	107,755,000	385,000	2,535,000	2,920,000	3,735,600	114,410,600
June 30, 2025	101,980,000	101,980,000	360,000	2,585,000	2,945,000	3,817,300	108,742,300
2026-2030	534,875,000	534,875,000	375,000	13,860,000	14,235,000	21,554,500	570,664,500
2031-2035	348,220,000	348,220,000	-	15,875,000	15,875,000	26,014,500	390,109,500
2036-2040	184,690,000	184,690,000	-	8,185,000	8,185,000	36,508,200	229,383,200
2041-2045	35,745,000	35,745,000	-	-	-	29,418,000	65,163,000
2046-2050	10,655,000	10,655,000	-	-	-	22,999,500	33,654,500
2051-2054	-	-	-	-	-	6,194,600	6,194,600
	<u>1,672,095,000</u>	<u>1,672,095,000</u>	<u>9,305,000</u>	<u>49,885,000</u>	<u>59,190,000</u>	<u>164,000,000</u>	<u>1,895,285,000</u>
Premium	242,103,195	242,103,195	305,445	374,156	679,601	-	242,782,796
	<u>\$ 1,914,198,195</u>	<u>\$ 1,914,198,195</u>	<u>\$ 9,610,445</u>	<u>\$ 50,259,156</u>	<u>\$ 59,869,601</u>	<u>\$ 164,000,000</u>	<u>\$ 2,138,067,796</u>
Interest:							
June 30, 2021	\$ 82,201,394	\$ 82,201,394	\$ 388,625	\$ 1,358,220	\$ 1,746,845	\$ 2,919,200	\$ 86,867,439
June 30, 2022	76,223,893	76,223,893	231,375	1,304,780	1,536,155	2,806,254	80,566,302
June 30, 2023	70,734,293	70,734,293	103,375	1,219,385	1,322,760	2,739,091	74,796,144
June 30, 2024	65,437,044	65,437,044	46,375	1,150,109	1,196,484	2,674,311	69,307,839
June 30, 2025	60,104,419	60,104,419	27,750	1,097,003	1,124,753	2,607,817	63,836,989
2026-2030	218,919,544	218,919,544	9,375	4,525,726	4,535,101	11,975,569	235,430,214
2031-2035	106,895,969	106,895,969	-	2,536,598	2,536,598	9,887,631	119,320,198
2036-2040	32,248,325	32,248,325	-	330,545	330,545	7,255,536	39,834,406
2041-2045	6,575,100	6,575,100	-	-	-	4,046,597	10,621,697
2046-2050	486,700	486,700	-	-	-	1,692,221	2,178,921
2051-2054	-	-	-	-	-	252,465	252,465
	<u>\$ 719,826,681</u>	<u>\$ 719,826,681</u>	<u>\$ 806,875</u>	<u>\$ 13,522,366</u>	<u>\$ 14,329,241</u>	<u>\$ 48,856,692</u>	<u>\$ 783,012,614</u>
Total Debt Service	<u>\$ 2,634,024,876</u>	<u>\$ 2,634,024,876</u>	<u>\$ 10,417,320</u>	<u>\$ 63,781,522</u>	<u>\$ 74,198,842</u>	<u>\$ 212,856,692</u>	<u>\$ 2,921,080,410</u>

Changes in long-term liabilities were as follows, based on type of activity:

	Balance July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities:						
General obligation revenue bonds	\$ 2,254,647,547	\$ 89,157,739	\$ 207,552,436	\$ 2,136,252,850	\$ 111,695,000	\$ 2,024,557,850
Direct placement notes payable	151,622,283	-	12,447,209	139,175,074	11,161,421	128,013,653
Contract payable	638,345,410	-	5,917,091	632,428,319	13,649,419	618,778,900
Net pension liability	1,659,117	-	40,958	1,618,159	-	1,618,159
Derivative instrument liability	107,033,161	37,330,616	-	144,363,777	-	144,363,777
	<u>\$ 3,153,307,518</u>	<u>\$ 126,488,355</u>	<u>\$ 225,957,694</u>	<u>\$ 3,053,838,179</u>	<u>\$ 136,505,840</u>	<u>\$ 2,917,332,339</u>
Business-Type Activities:						
General obligation revenue bonds payable	\$ 1,868,373,627	\$ 365,902,143	\$ 260,207,974	\$ 1,974,067,796	\$ 133,485,000	\$ 1,840,582,796
Direct placement notes payable	-	164,000,000	-	164,000,000	6,345,300	157,654,700
Due to federal government	-	71,429	-	71,429	-	71,429
Pollution remediation	746,245	-	38,443	707,802	707,802	-
	<u>\$ 1,869,119,872</u>	<u>\$ 529,973,572</u>	<u>\$ 260,246,417</u>	<u>\$ 2,138,847,027</u>	<u>\$ 140,538,102</u>	<u>\$ 1,998,308,925</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

The following is a summary of long-term debt outstanding at June 30, 2020, for each fund within the activity categories:

	<u>Future Interest Rate Range</u>	<u>Maturity Range</u>	<u>Annual Principal Payment Range</u>	<u>Amount Outstanding</u>
Governmental Activities:				
Highway Revenue	3.000% to 5.750%	2021 to 2037	\$9,640,000 to \$92,250,000	\$ 813,768,760
Indianapolis Motor Speedway	2.692% to 4.807%	2021 to 2036	\$3,700,000 to \$6,630,000	78,520,000
State Office Building Commission	1.581% to 5.250%	2021 to 2037	\$7,950,000 to \$34,834,934	241,095,049
Stadium Project	3.070% to 5.411%	2021 to 2037	\$11,085,000 to \$71,910,000	675,242,985
Convention Center Project	2.500% to 6.596%	2021 to 2039	\$770,000 to \$93,370,000	337,781,619
Public Private Partnerships	2.250%	2021 to 2032	\$4,418,225 to \$6,109,200	129,019,511
				<u>\$ 2,275,427,924</u>
Business-type Activities:				
State Revolving Loan Fund	1.780% to 5.000%	2021 to 2054	\$888,400 to \$134,700,300	\$ 2,078,198,195
Recreational Development Commission	5.00%	2021 to 2026	\$360,000 to \$3,225,000	9,610,445
State Fair Fund	1.836% to 4.000%	2021 to 2038	\$260,000 to \$3,595,000	50,259,156
				<u>\$ 2,138,067,796</u>

Variable rate long-term debt terms are as follows:

Bond Series	Outstanding Principal Amount	Interest Rate (Range)	Notes
Stadium Project 2005A	\$242,535,000	1.28% to 2.72%	(1)
Stadium Project 2007A	90,795,000	0.48% to 2.3%	(1)
Stadium Project 2008A	28,575,000	0.92% to 2.31%	(2)
Convention Center Project 2008A	-	N/A	(3)
Total Variable Rate Debt	<u>\$361,905,000</u>		

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Notes on Variable Rate Terms:

- (1) *Hedged, tax-exempt variable rate debt:* An interest rate swap with a notional amount of \$611,525,000 commenced for the Stadium Lease Appropriation Bonds, Series 2005A and 2007A, on August 15, 2008 with IFA receiving the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) and paying the swap counterparties a fixed rate of 4.231%. On May 21, 2015, a swap with a notional amount of \$269,071,000 was terminated. Due to the termination, \$269,035,000 of the Variable Rate Demand Obligations (VRDO's) were called and mostly refunded with the Series 2015A traditional fixed rate bonds in a par amount of \$296,530,000. With the reductions of VRDO's, IFA terminated Standby Purchase Agreements in the amount of \$269,035,000. The purchase price of tendered but not remarketed 2005 and 2007 Bonds is payable from Standby Bond Purchase Agreements (SBPAs) and Direct Purchases in an aggregate amount of 330,330,000, expiring February 26, 2021 through June 4, 2024. The bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the ISCBA, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2005A and 2007A bonds for the fiscal year was 1.45%.

- (2) *Partially hedged, tax-exempt variable rate debt:* An interest rate swap with a original notional amount of \$46,875,000 commenced for the Stadium Lease Appropriation Bonds, Series 2008A, on August 15, 2008 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 3.796%. The purchase price of tendered but not remarketed 2008A bonds is payable from a Liquidity Facility in the current amount of \$28,575,000, which expires February 1, 2035. The 2008A bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the ISCBA pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A bonds are subject to optional redemption by IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A bonds for the fiscal year was 1.21%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A bonds is 3.11%.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

- (3) *Partially hedged, tax-exempt variable rate debt:* An interest rate swap with a notional amount of \$98,114,750 commenced for the Convention Center Lease Appropriation Bonds, Series 2008A, on December 1, 2010 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 4.556%. The swap was terminated on May 21, 2015. VRDO's, with a par amount of \$31,160,000, were called and replaced with Series 2015A with a par amount of \$44,710,000. On November 26, 2019, the IFA issued Lease Appropriation Refunding Bonds (Convention Center Expansion Project) Series 2019G in an amount sufficient to fully defease the IFA Lease Appropriation Bonds (Convention Center Expansion Project) Series 2008A variable rate debt. Due to the issuance of the Series 2019G fixed rate issuance, the Series 2008A bonds are no longer outstanding. With the elimination of the Series 2008A bonds, there is no variable rate debt in the Convention Center debt portfolio. The average interest rate on the 2008A bonds for fiscal year 2020 was 1.35% while the Series 2008A was outstanding during fiscal year 2020.

Self-Liquidity Program

IFA maintains a self-liquidity program that pays the purchase price of 2008A Lease Appropriation Bonds (Stadium Project) that have been tendered and not remarketed. As of June 30, 2020, the sub-series has an outstanding balance of \$28,575,000. The aggregate amount payable by IFA will not exceed the sum of the principal balance outstanding plus an amount equal to 37 days' interest on the principal balance outstanding. As of June 30, 2020, the aggregate amount payable on the sub-series will not exceed \$28,922,597.

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements: In order to protect against the potential of rising interest rates, IFA entered into separate pay-fixed, receive-variable interest rate swap agreements with Goldman Sachs Bank USA ("Goldman Swap") and the Bank of New York Mellon ("Bank of New York Mellon Swap") and two separate pay-fixed, receive variable interest rate swap agreements with JP Morgan Chase Bank ("JPMorgan Swap" and together with the Goldman Swap and the Bank of New York Mellon Swap, the "Swaps"). The Swaps were entered into as cash flow hedges.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Terms, fair values, and credit risk: Fair values are based on quotes provided by the applicable swap counterparty. Changes in the fair value of the swap agreements are reported in the Statement of Net Position as noncurrent assets and liabilities. The notional amounts of the Swaps match the anticipated principal amounts of the associated debt. No cash was received or paid on the date the swap agreements were initiated. IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "bonds payable" category. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2020, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2019 ¹	Increase/ (Decrease) ¹	Fair Values at June 30, 2020 ¹	Swap Termination Date
2005/2007 Stadium Project	\$ 333,298,000	8/15/2008	4.231%	SIFMA ²	\$ (100,157,304)	\$ (34,521,754)	\$ (134,679,058)	2/1/2037
2008 Stadium Project	\$ 26,815,000	8/15/2008	3.796%	SIFMA ²	(6,875,857)	(2,808,862)	(9,684,719)	2/1/2035
	<u>\$ 360,113,000</u>				<u>\$ (107,033,161)</u>	<u>\$ (37,330,616)</u>	<u>\$ (144,363,777)</u>	

¹ Negative signifies a value in favor of the counterparty.

² The Securities Industry and Financial Markets Association Municipal Swap Index.

The change in fair value is classified as deferred outflows of resources on the Statement of Net Position for all outstanding swaps noted above.

Credit risk: Moody's Investors Service (Moody's) rated JPMorgan Chase Bank AA1, and The Bank of New York Mellon AA2. Standard & Poor's (S&P) rated JPMorgan Chase Bank A+, and The Bank of New York Mellon AA-. IFA is exposed to credit risk when any of the Swaps have a fair value in favor of IFA or a positive market price. To minimize its exposure to loss related to credit risk, IFA requires the swap counterparties to post collateral if the fair value is greater than a threshold amount specified in the respective swap agreements. The threshold amount in each of the swap agreements is adjusted lower following a downgrade by Moody's or S&P of the applicable counterparty's rating.

Termination risk: IFA or the counterparties may terminate the Swaps if the other party fails to perform under the terms of the contract (as defined by the individual swap agreements). If at the time of termination the Swaps have a positive fair value, the counterparties would be liable to IFA for a payment equal to the fair value.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 9 - CONTRACT PAYABLE ACTIVITY

In 2012, the Indiana Finance Authority entered into a Public-Private Partnership (P3) with WVB East End Partners, LLC with respect to the East End Crossing of the Louisville-Southern Indiana Ohio River Bridges Project (EEC Project). As part of the P3, the IFA will pay developer Availability Payments (APs). APs are payable during the 35 year operating period of the agreement subject to EEC Project being open and available for traffic and subject to performance standards included in the agreement. The APs are to help the developer with managing, operating, maintaining, repairing, and performing rehabilitation work with respect to the East End Crossing through the operation period. As of June 30, 2020, IFA has recorded a prepaid lease of approximately \$97 million.

The Maximum Availability Payment (MAP) is the annual amount before any deductions due to performance standards are taken into consideration. That maximum is determined by adjusting the base MAP of \$33,530,853 (in 2012 dollars) pursuant to a formula that, starting at the Substantial Completion Date and for each Fiscal Year thereafter, adjusts 20% of the MAP based on the change in the Consumer Price Index (All Items, BES Series ID: CUUR000SA0) and the remaining 80% of the MAP based on an annual rate of 2.5% per Fiscal Year. The MAP for fiscal year 2021 has been calculated at \$39,955,992 and will be adjusted thereafter annually accordingly as described above. The total net present value of the MAP's is approximately \$658 million, with a current portion of approximate \$14 million.

At June 30, 2020, the debt service requirements for contracts payable under governmental activities were as follows:

Governmental Activities:

	Public Private Partnerships	
	Principal*	Interest
June 30, 2021	\$ 13,649,419	\$ 24,390,600
June 30, 2022	14,072,051	24,390,600
June 30, 2023	14,471,351	24,390,600
June 30, 2024	14,848,194	24,390,600
June 30, 2025	15,203,428	24,390,600
2026 - 2030	80,644,868	121,953,000
2031 - 2035	88,941,953	118,335,000
2036 - 2040	102,283,918	100,483,250
2041 - 2045	116,360,571	71,095,375
2046 - 2050	128,098,425	34,295,575
2051 - 2052	43,854,141	670,819
	<u>\$ 632,428,319</u>	<u>\$ 568,786,019</u>

*As discussed above, the availability payments are adjusted annually based on the change in the Consumer Price Index.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 10 - BOND REFUNDINGS AND ESCROW BALANCES ON BONDS

IFA analyzes its various bond issues to determine if any opportunities exist for debt service savings through the refinancing of long-term debt. IFA had refunding and defeasance activity as reported below. In addition, current period and previous refundings and defeasances had remaining bonds outstanding paid from escrow accounts that are not included in IFA financial records based on accounting guidance.

Bond Refundings and Defeasances: The following represents bond refunding and defeasance during the year ended June 30, 2020:

Business-Type Activities:

- **State Revolving Fund Programs:**

In November 2019, the Authority issued \$53,445,000 Series 2019F Refunding Bonds. The bonds were sold at a premium and refunded \$54,825,000 par amount of prior debt. The refunding debt was used to refund callable portion of Series 2010A and 2010C Bonds.

Escrow Balances on Refunded and Defeased Bonds: IFA has the following bond issues that have been refunded but have remaining principal balances to be paid by escrow agents' accounts. The refunded bonds are not reported as debt of IFA since payment of principal and interest are from escrowed funds and investment earnings. Activity includes:

Governmental Activities:

- **State Office Building Commission** - IFA issued Facilities Revenue Refunding Bonds, Series 2003 C and D bonds, which were used to refund certain Series 1995A and B bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2004A, B, and C bonds, which were used to refund certain Series 1999A, 2002A, and 2003A bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2011A, B, and C bonds, which were used to refund certain Series 2002A, 2003A and B bonds. IFA issued Facilities Revenue Refunding Bonds Series 2012E, F, G, and H, which were used to refund certain Series 2002A and 2003A bonds. At June 30, 2020, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$55,410,000.

Business-Type Activities:

- **State Revolving Fund** - In March 2015, IFA issued Refunding Bonds, which were used to refund portions of the Series 2007A, 2007B, 2009A, and 2012B. In September 2016, IFA issued Refunding Bonds, which were used to refund portions of 2010B and 2012B. In November 2017, IFA issued Refunding Bonds, which were used to refund portions of the Series 2010B, 2011A, and 2012B bonds. At June 30, 2020, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$279,725,000.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 10 - BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

Conduit Debt Obligations: IFA is authorized by law to issue conduit and certain other types of revenue bonds to finance projects that serve Indiana public purposes outlined by statute. Except as described below, IFA's revenue bonds are payable solely from revenues of IFA specifically pledged thereto. The bonds are not in any respect a general obligation of IFA or the State, nor are they payable in any manner from revenues raised by taxation. IFA has no power to levy taxes. Pursuant to this authority, IFA has issued numerous revenue bonds.

IFA has issued debt obligations on behalf of certain manufacturers, utilities, 501(c)3 organizations, and health and higher education facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes, and other obligations and the interest thereof do not constitute debt or liability of IFA, the State, or any political subdivision thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2020, IFA has outstanding conduit debt of \$14.1 billion.

NOTE 11 - OPERATING LEASE COMMITMENTS

IFA has the following operating lessee and lessor agreements:

Lessee - Governmental Activities

- **General Fund** - IFA currently leases office space pursuant to a non-cancelable operating lease expiring in March 2021. The future total minimum rental payments, totaling approximately \$252,000 for fiscal year 2021. Rental expense for the operating lease was approximately \$199,000 for the year ended June 30, 2020.

Lessor - Governmental Activities

- **State Office Building Commission** - The State Office Building Commission leases state facilities to the Indiana Department of Administration based on use and occupancy agreements. The annual lease terms provide for renewals through supplement agreements. The lease rental payments are based on administrative costs, aggregate debt service requirements on related long-term debt, debt service reserve requirements, and replacement reserve for maintenance and improvements of facilities. During the year ended June 30, 2020, lease revenue of approximately \$50 million was recognized.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 11 - OPERATING LEASE COMMITMENTS (Continued)

Lessor - Business-Type Activities

- Indiana Toll Road Lease Fund** - On June 29, 2006, the Indiana Toll Road was leased for approximately \$3.765 billion and a term of 75 years to the ITRCC. The entire amount was paid up front and there are no additional lease payments due for the remainder of the term of the lease. IFA recorded the transaction as an operating lease and recorded the payment as a deferred inflow. Lease rental revenue net of related costs, totaling \$3.705 billion, will be recognized on a straight-line basis over the life of the 75-year lease. On October 5, 2018, IFA amended its agreement with the ITRCC to allow ITRCC to increase the toll rates for heavy vehicles by 35%. As part of the amendment, IFA received \$400 million in fiscal year 2019 and \$300 million in fiscal year 2020 and will receive \$300 million in fiscal year 2021. The proceeds will be used to fund planned road projects in the seven Toll Road counties. The funds received in fiscal years 2019 and 2020 were transferred to INDOT's Major Moves Fund, and the remaining funds will be transferred to INDOT's Major Moves Fund when received. The \$1 billion related to the amendment was added to deferred inflow in fiscal year 2019 and will be recognized on a straight-line basis over the remaining life of the 75-year lease. The unamortized portion of this revenue (in thousands) will be recognized as follows for the fiscal years ending June 30:

2021	\$	65,368
2022		65,368
2023		65,368
2024		65,368
2025		65,368
2026 - 2030		326,838
2031 - 2035		326,838
2036 - 2040		326,838
2041 - 2045		326,838
2046 - 2050		326,838
2051 - 2055		326,838
2056 - 2060		326,838
2061 - 2065		326,838
2066 - 2070		326,838
2071 - 2075		326,838
2076 - 2080		326,838
2081		<u>63,315</u>
Total	\$	<u>3,985,373</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 11 - OPERATING LEASE COMMITMENTS (Continued)

- **Recreational Development Commission** - The Recreational Development Commission (RDC) leases various facilities to the Department of Natural Resources (DNR) that were constructed or renovated using bond issue proceeds. The lease is subject to the terms of the Master Use and Occupancy Agreement dated March 1, 1994, and is accounted for as an operating lease.

Although the initial agreement terminated on June 30, 1995, both parties have extended the term of this agreement until June 30, 2026. The RDC and the DNR have the right to extend the term of the agreement from biennium to biennium. The RDC and the DNR are deemed to have exercised this right to extend. The term of the Master Use and Occupancy Agreement is extended, for each successive biennium, unless either the RDC or the DNR delivers written notice of non-extension to the other party not less than three months prior to the last day of any biennium, in which event the Master Use and Occupancy Agreement will terminate on the last day of such biennium.

Minimum aggregate annual lease payments under the facilities leases are as follows for the fiscal years ending June 30:

2021	\$ 3,537,000
2022	2,045,750
2023	441,000
2024	396,750
2025	<u>393,750</u>
Total	<u>\$ 6,814,250</u>

**INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020**

NOTE 12 - INTERFUND LOANS RECEIVABLE AND PAYABLE

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded at June 30, 2020, as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$ 651,230	\$ -
Transportation Finance General	-	72,436
Public Private Partnerships	-	31,494
State Office Building Commission	-	103,930
Special Revenue Funds:		
Conduit Debt General Program Fund	-	34,643
Environmental Remediation Revolving Loan Fund	-	435,008
Petroleum Remediation Grant Fund	322,611	-
Enterprise Funds:		
State Revolving Fund	-	387,725
Supplemental Fund	130,039	-
Indiana Health and Education Facility Finance Authority	-	38,644
	<u>\$ 1,103,880</u>	<u>\$ 1,103,880</u>

NOTE 13 - POLLUTION REMEDIATION

As part of the lease agreement with the ITRCC, IFA agreed to retain liability for sites along the Toll Road previously identified as being contaminated. IFA has contracted to clean up these sites and has recognized the approximate \$708,000 remaining on the contract as a liability. In addition, IFA agreed to accept liability for any undiscovered sites that may be found in the future that originated or were caused by actions taken during the time prior to the Toll Road lease.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS

Plan Description

IFA contributed to the Public Employees' Retirement Fund (PERF), which is administered by INPRS as a cost-sharing, multiple-employer defined benefit plan. PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, or township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two tiers to PERF. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the My Choice: Retirement Savings Plan for Public Employees (My Choice). IFA does not participate in My Choice.

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

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

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

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

Retirement Benefits – Defined Benefit Pension

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and is entitled to 100% of the pension benefit component. This annual pension benefit is equal to 1.1% times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups. For PERF members who serve as an elected official, the highest one year (total of four consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

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

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

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2019; however, for the year ended June 30, 2019, postretirement benefits of \$29.6 million were issued to members as a 13th check.

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

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service. As of July 1, 2019, a surviving spouse or a surviving dependent of a member is entitled to a survivor benefit regardless of whether the member dies in service or out of service, if the member has at least 10 years of creditable service, and the surviving spouse or surviving dependent otherwise qualifies for the benefit.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://www.inprs.in.gov/>. Detailed information about the Plan's fiduciary net position is included in the INPRS financial report.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. In 2019, none of the actuarial assumptions or methods changed.

The accompanying Schedule of IFA Contributions in the Required Supplementary Information presents trend information about the amounts contributed to the plan by employers and a nonemployer contributing entity in comparison to the Actuarially Determined Contribution (ADC). The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and the amortization of any unfunded actuarial accrued liability (or funding excess).

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly-hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

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

Asset valuation date:	June 30, 2019
Liability valuation date and method:	June 30, 2018 - Member census data as of June 30, 2018 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2018 and June 30, 2019. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2018 to the June 30, 2019 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed April 2015 and reflects the experience period from July 1, 2010 to June 30, 2014
Investment rate of return:	6.75%
COLA:	2020 - 2021 - 13th check Beginning January 1, 2022 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%
Mortality - Healthy:	RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006
Mortality - Disabled:	RP-2014 Disabled Mortality Table, with Social Security Administration generational improvement scale from 2006

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

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

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

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

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

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
<u>\$2,598,785</u>	<u>\$1,618,159</u>	<u>\$800,242</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

Investment Valuation and Benefit Payment Policies

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

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

Funding Policy

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

For My Choice, the State was also required to contribute 11.2% of covered payroll. In accordance with IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3% and not be greater than the normal cost of the fund and any amount not credited to the member's account shall be applied to the pooled assets of PERF Hybrid Plan. The political subdivisions were required to contribute a supplemental cost of 7.1% of covered payroll as of July 1, 2018, which increased to 7.4% as of January 1, 2019.

The PERF Hybrid Plan and My Choice members contribute 3% of covered payroll to their ASA, which is not used to fund the defined benefit pension for PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The State pays the member's contributions on behalf of the member employed by the State that participate in My Choice. Political subdivisions may choose to pay part or all of the member's contributions on behalf of the member for My Choice. In addition, members of PERF Hybrid and My Choice may elect to make additional voluntary contributions, under certain criteria, of up to 10% of their compensation into their ASA. Political subdivisions that participate in My Choice may elect to match voluntary contributions at a rate of 50%.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 14 - BENEFIT PLANS (Continued)

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

At June 30, 2020, IFA reported a liability of \$1,618,159 for its proportionate share of the net pension liability. IFA's proportionate share of the net pension liability was based on IFA's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2019 measurement date was 0.04896%.

For the year ended June 30, 2020, IFA recognized pension expense of \$279,739, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$23,635. At June 30, 2020, the IFA reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 42,848	\$ -
Net difference between projected and actual earnings on pension plan investments	-	76,486
Change of assumptions	360	175,906
Changes in proportion and differences between IFA contributions and proportionate share of contributions	<u>7,211</u>	<u>6,794</u>
Total that will be recognized in pension expense based on table below	50,419	259,186
Pension contributions subsequent to measurement date	<u>336,040</u>	<u>-</u>
Total	<u>\$386,459</u>	<u>\$259,186</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ (61,630)
2021	(118,204)
2022	(22,996)
2023	<u>(5,937)</u>
	<u>\$ (208,767)</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 15 - CONTINGENCIES

In the course of normal operations, IFA is subject to various claims and assessments and is involved in litigation that it intends to vigorously defend. The range of loss, if any, from these potential claims cannot be reasonably estimated. However, the management of IFA believes the ultimate resolution of these matters will not have a material adverse impact on IFA's operations or net position.

NOTE 16 - UNCERTAINTY RELATED TO CORONAVIRUS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. IFA could experience fluctuations in investment earnings and a potential reduction in toll revenues from a decrease in commuter activity; however, IFA has not seen a significant impact to date. The ultimate impact of the outbreak to IFA's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to IFA.

NOTE 17 - SUBSEQUENT EVENTS

The following subsequent events have been provided for users of the financial statements. The subsequent events did not result in changes to the financial statements for the fiscal year ended June 30, 2020.

Governmental Activities

On October 7, 2020, IFA closed on \$125 million Refunding Bonds, Series 2020E (Federally Taxable) for the sole purpose of refunding the entire 2015 Transportation Infrastructure Finance and Innovation Act (TIFIA) loan for interest cost savings. The original purpose of the 2015 TIFIA loan was certain payments made to the developer on the East End Crossing Project.

On July 29, 2020, the IFA remarketed its \$97 million Series 2005 A-5 Variable Rate Demand Securities and \$63 million Series 2007 A-3 Variable Rate Demand Securities for the Stadium Project. In connection with such remarketing, the Series 2005 A-5 Bonds were converted from the Index Interest Rate Mode to the Daily Mode, while the Series 2007 A-3 Bonds were in the Daily Mode and continue in such Mode. Liquidity for the Series 2005 A-5 Bonds and the Series 2007 A-3 Bonds is provided by Standby Bond Purchase Agreements entered into between the IFA and US Bank National Association, the expiration date of which is July 28, 2023.

PART 3 - REQUIRED SUPPLEMENTARY INFORMATION

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET - CASH BASIS (UNAUDITED)
For the year ended June 30, 2020

Budget Basis of Accounting: IFA's budget process is based on a modified cash basis and accounts for certain transactions on a basis other than GAAP. The most significant differences between the budget basis and the GAAP basis are the manner in which revenues and expenses are recorded. Under the modified cash budget basis, the portion of lease rental income apportioned to principal payments is recorded as revenue and the debt service expense portion related to principal is recorded as expense. For government wide reporting, the portion attributable to principal on capital lease assets and bonds payable are reflected as changes in assets and liabilities in the balance sheet funds and Statement of Net Position.

The following table shows budget and actual financial results reported under the budgetary basis of accounting.

	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
Revenue			
Lease rental income (Note 1)	\$ 211,501,349	\$ 221,595,754	\$ 10,094,405
Appropriations	2,500,000	2,500,000	-
Investment income (Note 2)	25,724,124	16,108,393	(9,615,731)
Program service, advisory and fees	2,908,532	2,917,847	9,315
Borrower interest payments (Note 3)	55,881,956	75,486,489	19,604,533
Toll revenues (Note 4)	65,807,833	58,065,497	(7,742,336)
EPA grant (Note 5)	<u>60,344,080</u>	<u>85,982,782</u>	<u>25,638,702</u>
Total revenues	<u>424,667,874</u>	<u>462,656,762</u>	<u>37,988,888</u>
Debt service			
Interest (Note 6)	190,913,475	221,245,378	(30,331,903)
Principal	<u>157,460,000</u>	<u>157,460,000</u>	<u>-</u>
Total debt service	<u>348,373,475</u>	<u>378,705,378</u>	<u>(30,331,903)</u>
Program expenses			
Grants, loans and other program (Note 7)	<u>30,969,432</u>	<u>46,185,134</u>	<u>(15,215,702)</u>
Total program expenses	<u>30,969,432</u>	<u>46,185,134</u>	<u>(15,215,702)</u>
Administrative expenses			
Personal services (Note 8)	4,780,931	4,352,821	428,110
Other IFA operations (Note 9)	<u>4,353,977</u>	<u>5,881,619</u>	<u>(1,527,642)</u>
Total administrative expenses	<u>9,134,908</u>	<u>10,234,440</u>	<u>(1,099,532)</u>
Net revenues over expenses	<u>\$ 36,190,059</u>	<u>\$ 27,531,810</u>	<u>\$ (8,658,249)</u>

(Continued)

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET - CASH BASIS (UNAUDITED)
For the year ended June 30, 2020

Explanation for budget to actual difference

Note 1: Revised Toll Road agreement and Ohio River Bridges supplemental income

Note 2: Lower earnings due to Covid-19 Pandemic

Note 3: New loans interest payments

Note 4: Ohio River Bridges fewer tolls due to Covid-19 Pandemic

Note 5: More grants than anticipated

Note 6: Unbudgeted Ohio River Bridges Private Activity Bonds' interest and new debt in fiscal year 2020

Note 7: Forgivable loans were higher than anticipated

Note 8: Fewer staff positions

Note 9: Increased contract and professional expenses

INDIANA FINANCE AUTHORITY
INDIANA TOLL ROAD INFRASTRUCTURE CONDITION RATING (UNAUDITED)
For the year ended June 30, 2020

CONDITION RATING OF THE INDIANA TOLL ROAD PROJECT'S HIGHWAYS AND BRIDGES

Roads

	<u>Percentage of Lane Miles in Fair, Good or Excellent Condition</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interstate Roads	88.8%	91.1%	93.8%

	<u>Percentage of Lane Miles in Substandard Condition</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interstate Roads	11.2%	8.9%	6.2%

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of six distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in fair, good or excellent condition (70-100), and substandard condition (less than 70). It is the State's policy to maintain at least 80% of its road system at a fair, good or excellent condition level. No more than 10% should be in substandard condition. Condition assessments are determined every year. Due to the timing of data collection, the above information is based on the three most recent calendar years.

Bridges

	<u>Average Sufficiency Rating of Bridges</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interstate Bridges	87.6%	87.4%	87.4%

The average sufficiency rating of the State's bridges is determined using the formula and guidelines provided by Federal Highway Administration. The bridge average sufficiency rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical sufficiency rating ranging from 0.0% (impaired or load restricted) to 100% (new). It is the State's goal to maintain an average bridge sufficiency rating of 85%. All bridges are inspected every two years.

INDIANA FINANCE AUTHORITY
SCHEDULE OF IFA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years*

	2019	2018	2017	2016	2015	2014	2013
IFA's proportion of the net pension liability	0.04896%	0.04884%	0.04920%	0.04723%	0.04396%	0.03785%	0.03263%
IFA's proportionate share of the net pension liability	\$ 1,618,159	\$ 1,659,117	\$ 2,195,079	\$ 2,143,507	\$ 1,790,448	\$ 994,673	\$ 1,117,603
IFA's covered payroll	\$ 2,551,067	\$ 2,492,230	\$ 2,440,922	\$ 2,263,471	\$ 2,105,374	\$ 1,847,973	\$ 1,566,405
IFA's proportionate share of the net pension liability as a percentage of IFA's covered payroll	63.43%	66.57%	89.93%	94.70%	85.04%	53.83%	71.35%
Plan fiduciary net position as a percentage of the total pension liability**	80.10%	78.90%	72.70%	71.20%	73.30%	81.10%	74.30%

*The effort and cost to re-create financial statement information for 10 years was not practical.

Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

**2013-2017 were adjusted to reflect Defined Benefit activity only due to the Defined Benefit/Defined Contribution split effective January 1, 2018.

**INDIANA FINANCE AUTHORITY
SCHEDULE OF IFA CONTRIBUTIONS (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years***

	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 285,719	\$ 279,129	\$ 273,383	\$ 253,508	\$ 235,802	\$ 206,974	\$ 167,411
Contributions in relation to the contractually required contribution	<u>\$ 285,719</u>	<u>\$ 279,129</u>	<u>\$ 273,383</u>	<u>\$ 253,508</u>	<u>\$ 235,802</u>	<u>\$ 206,974</u>	<u>\$ 167,411</u>
Contribution deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IFA's covered payroll	\$ 2,551,067	\$ 2,492,230	\$ 2,440,922	\$ 2,263,471	\$ 2,105,374	\$ 1,847,973	\$ 1,566,405
Contributions as a percentage of covered-employee payroll	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	10.69%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

INDIANA FINANCE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
June 30, 2020

SCHEDULE OF THE CORPORATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)

Plan Amendments: In 2019, the Plan was modified pursuant to House Enrolled Act No. 1059 (HEA 1059). Previously, statute generally required Plan members to have 15 years of service to qualify for a survivor benefit prior to retirement. Statute now allows a qualifying spouse/dependent to receive a benefit if the deceased member had a minimum of 10 years of creditable service. There were no other changes to the Plan that impacted the pension benefits during the fiscal year.

Assumption Changes: In 2019, there were no changes to assumptions that impacted the Net Position Liability during the fiscal year.

SCHEDULE OF THE CORPORATION'S CONTRIBUTIONS (UNAUDITED)

Methods and Assumptions Used in Calculating Actuarially Determined Contributions: The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates (a):

Asset valuation date and method:	June 30, 2017 - Five year smoothing of gains and losses on the Fair Value of assets subject to a 20% corridor.
Liability valuation date and method:	June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2016 to the June 30, 2017 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar-20 years, closed
Remaining amortization period (weighted):	24 years
Investment rate of return:	6.75%
COLA:	1.0%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%

(a) Differs from Note 14 schedule as this table is for funding purposes and Note 14 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

Trends: In 2019, there were no significant trends in contributions to the Plan.

PART 4 - OTHER SUPPLEMENTARY INFORMATION

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF NET POSITION
June 30, 2020**

	Business-Type Activities				Governmental Activities				
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Toll Road Lease	State Office Building Commission	Indiana Motorsports Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Assets									
Current assets	\$ 709,360,996	\$ 3,323,062	\$ 5,314,596	\$ 337,422,004	\$ 233,334,987	\$ 5,189,377	\$ 27,536,148	\$ 118,598,977	\$ 27,295,746
Capital and infrastructure assets	106,252	21,350,464	162,210	580,051,284	381,321,956	-	1,019,944,312	-	-
Noncurrent assets	2,898,634,258	-	51,343,775	-	8,605,629	74,820,000	94,535,089	750,913,760	945,153,035
Total Assets	<u>3,608,101,506</u>	<u>24,673,526</u>	<u>56,820,581</u>	<u>917,473,288</u>	<u>623,262,572</u>	<u>80,009,377</u>	<u>1,142,015,549</u>	<u>869,512,737</u>	<u>972,448,781</u>
Deferred Outflows of Resources									
Deferred swap termination	-	-	-	-	-	-	-	-	55,300,552
Loss on debt refunding	10,969,366	75,165	(512,500)	-	1,400,320	-	-	10,097,920	716,017
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	-	-	-	-	144,363,777
Total deferred outflows of resources	<u>10,969,366</u>	<u>75,165</u>	<u>(512,500)</u>	<u>-</u>	<u>1,400,320</u>	<u>-</u>	<u>-</u>	<u>10,097,920</u>	<u>200,380,346</u>
Liabilities									
Current liabilities	36,183,026	232,625	865,549	2,732,807	82,682,590	1,489,377	18,056,121	3,445,191	15,440,746
Long term debt, including current portions	2,078,198,195	9,610,445	50,259,156	-	241,095,049	78,520,000	747,798,411	813,768,760	1,013,024,604
Other noncurrent liabilities	71,429	-	-	-	-	-	-	-	144,363,777
Total Liabilities	<u>2,114,452,650</u>	<u>9,843,070</u>	<u>51,124,705</u>	<u>2,732,807</u>	<u>323,777,639</u>	<u>80,009,377</u>	<u>765,854,532</u>	<u>817,213,951</u>	<u>1,172,829,127</u>
Deferred Inflows of Resources									
Advanced payment for service concession agreement	-	-	-	3,985,373,200	-	-	-	-	-
Unearned service concession arrangement receipts	-	-	-	269,301,002	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,254,674,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position									
Net investment in capital assets	106,252	11,740,019	-	310,750,282	133,012,624	-	355,947,551	-	-
Unrestricted	-	3,165,602	-	(3,950,684,003)	66,620,451	-	-	9,536,279	-
Restricted	1,504,511,970	-	5,183,376	300,000,000	101,252,178	-	20,213,466	52,860,427	-
Total Net Position	<u>\$ 1,504,618,222</u>	<u>\$ 14,905,621</u>	<u>\$ 5,183,376</u>	<u>\$ (3,339,933,721)</u>	<u>\$ 300,885,253</u>	<u>\$ -</u>	<u>\$ 376,161,017</u>	<u>\$ 62,396,706</u>	<u>\$ -</u>

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2020

	Business-Type Activities				Governmental Activities				
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Toll Road Lease	State Office Building Commission	Indiana Motorsports Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Operating Revenues									
Lease rental	\$ -	\$ 3,530,250	\$ 2,227,095	\$ 71,645,830	\$ 49,571,065	\$ 3,251,426	\$ 5,062,260	\$ 38,277,798	\$ 48,030,030
Interest on loans	75,248,860	-	-	-	-	-	-	-	-
Other	1,753,067	643,472	-	4,443,871	920,216	-	58,065,497	3,007,310	-
Total Operating Revenues	<u>77,001,927</u>	<u>4,173,722</u>	<u>2,227,095</u>	<u>76,089,701</u>	<u>50,491,281</u>	<u>3,251,426</u>	<u>63,127,757</u>	<u>41,285,108</u>	<u>48,030,030</u>
Operating Expenses									
IFA operations	5,931,256	393,288	185,272	306,351,250	2,322,400	-	19,038,855	275,602	592,161
Interest expense	53,055,666	526,148	1,791,322	-	8,946,231	3,251,426	27,383,322	43,674,636	50,825,568
Depreciation and bond issuance costs	2,102,907	1,386,154	546,173	-	16,627,256	-	-	-	772,739
Total Operating Expenses	<u>61,089,829</u>	<u>2,305,590</u>	<u>2,522,767</u>	<u>306,351,250</u>	<u>27,895,887</u>	<u>3,251,426</u>	<u>46,422,177</u>	<u>43,950,238</u>	<u>52,190,468</u>
Operating Income (Loss)	<u>15,912,098</u>	<u>1,868,132</u>	<u>(295,672)</u>	<u>(230,261,549)</u>	<u>22,595,394</u>	<u>-</u>	<u>16,705,580</u>	<u>(2,665,130)</u>	<u>(4,160,438)</u>
Nonoperating Revenues (Expenses)									
Investment earnings, net	13,402,105	223	17,060	458,687	1,679,724	-	192,877	744,460	-
Total nonoperating revenues (expenses)	<u>13,402,105</u>	<u>223</u>	<u>17,060</u>	<u>458,687</u>	<u>1,679,724</u>	<u>-</u>	<u>192,877</u>	<u>744,460</u>	<u>-</u>
Income Before Capital Contributions and Transfers	29,314,203	1,868,355	(278,612)	(229,802,862)	24,275,118	-	16,898,457	(1,920,670)	(4,160,438)
Capital contributions	76,419,893	-	-	-	-	-	-	-	4,160,438
Loan forgiveness	(24,023,278)	-	-	-	-	-	-	-	-
Transfer in (out)	(902,671)	-	-	(176,252)	-	-	-	(233,637)	-
Change in Net Position	80,808,147	1,868,355	(278,612)	(229,979,114)	24,275,118	-	16,898,457	(2,154,307)	-
Net Position - Beginning of year	1,423,810,075	13,037,266	5,461,988	(3,109,954,607)	276,610,135	-	359,262,560	64,551,013	-
Net Position - End of year	<u>\$ 1,504,618,222</u>	<u>\$ 14,905,621</u>	<u>\$ 5,183,376</u>	<u>\$ (3,339,933,721)</u>	<u>\$ 300,885,253</u>	<u>\$ -</u>	<u>\$ 376,161,017</u>	<u>\$ 62,396,706</u>	<u>\$ -</u>

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF CASH FLOWS
For the year ended June 30, 2020**

	Business-Type Activities				Governmental Activities				
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Toll Road Lease	State Office Building Commission	Indiana Motorsports Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Net Cash Provided (Used) By:									
Operating activities	\$ (5,452,242)	\$ 3,780,434	\$ 2,407,701	\$ (238,199)	\$ 42,818,120	\$ 3,290,249	\$ 47,722,050	\$ 40,775,869	\$ 46,026,766
Investing activities	(363,724,317)	(51,217)	1,849,928	520,540	(5,739,412)	-	228,067	837,339	9,459,522
Non-capital financing activities	228,111,602	-	-	-	-	-	-	-	-
Capital and related financing activities	52,651,078	(3,083,806)	(4,244,138)	-	(46,375,799)	(3,290,249)	(51,480,951)	(41,745,700)	(55,486,288)
Net Increase (Decrease) in Cash and Short-term Investments	(88,413,879)	645,411	13,491	282,341	(9,297,091)	-	(3,530,834)	(132,492)	-
Cash and Short-term Investments									
Beginning of Year	527,560,673	2,677,646	3,050,604	35,111,731	237,834,773	-	21,384,908	55,872,365	-
End of Year	<u>\$ 439,146,794</u>	<u>\$ 3,323,057</u>	<u>\$ 3,064,095</u>	<u>\$ 35,394,072</u>	<u>\$ 228,537,682</u>	<u>\$ -</u>	<u>\$ 17,854,074</u>	<u>\$ 55,739,873</u>	<u>\$ -</u>

PART 5 - OTHER REPORT

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

Members of Indiana Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority, a component unit of the State of Indiana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Indiana Finance Authority's basic financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 15, 2020

INDIANA FINANCE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND INDEPENDENT AUDITORS' REPORTS

June 30, 2020

INDIANA FINANCE AUTHORITY

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*Independent Auditors' Report on Compliance For
Each Major Federal Program,
on Internal Control Over Compliance,
and on the Schedule of Expenditures of Federal Awards
as Required by Uniform Guidance*

Members of Indiana Finance Authority

Report on Compliance for Each Major Federal Program

We have audited Indiana Finance Authority's, a component unit of the State of Indiana, compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Indiana Finance Authority's major federal programs for the year ended June 30, 2020. Indiana Finance Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Indiana Finance Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Indiana Finance Authority's basic financial statements. We issued our report thereon dated October 15, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
February 11, 2021

INDIANA FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2020

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION:					
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	None noted	\$ 162,000,000	\$ 138,410,327	
U.S. DEPARTMENT OF TREASURY					
COVID-19 - Coronavirus Relief Fund	21.019	None noted	\$ 300,000,000	891,066	\$ 891,066
U.S. ENVIRONMENTAL PROTECTION AGENCY:					
Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18000119	38,292,000	38,292,000	38,292,000
	66.458	CS18000120	38,298,000	18,964,953	18,964,953
				<u>57,256,953</u>	<u>57,256,953</u>
Drinking Water State Revolving Fund Cluster:					
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548618-0 DD	679,120	130,763	
	66.468	FS98548618-0 DF	500,000	255,310	
	66.468	FS98548619-0 DA	14,464,340	14,464,340	14,464,340
	66.468	FS98548619-0 DD	672,760	672,760	
	66.468	FS98548619-0 DF	1,681,900	1,015,871	
	66.468	FS98548620-0 DA	14,473,800	3,156,729	3,156,729
	66.468	FS98548620-0 DD	673,200	170,773	
	66.468	FS98548620-0 DF	1,683,000	363,257	
				<u>20,229,803</u>	<u>17,621,069</u>
Brownfields 128(a) Cooperative Agreement State and Tribal Program Response Grants					
	66.817	RP00E14612-0	787,518	380,795	
	66.817	RP00E14613-0	787,518	461,327	
				<u>842,122</u>	
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF00E48101-C	6,109,204	1,959,813	1,959,813
Brownfields 128(a) MPG Site Remediation Cooperative Agreement	66.204	AA00E02780-0	71,865	3,387	3,387
Lead Testing in School and Child Care Program Drinking Water Grant Program	66.444	M100E02762-0	753,000	639,200	
Water Infrastructure Finance and Innovation Act (WIFIA) Program	66.958	WIFIA-2019-N17114IN	436,000,000	164,000,000	164,000,000
				<u>\$ 384,232,671</u>	<u>\$ 241,732,288</u>

See accompanying notes to schedule of expenditures of federal awards.

INDIANA FINANCE AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Indiana Finance Authority (IFA). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, or when not applicable the specific federal award agreement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 - INDIRECT COST RATE

IFA has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - LOAN PROGRAM

The accompanying schedule of expenditures of federal awards includes two federal loans each disbursed under the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Water Infrastructure Finance and Innovation Act (WIFIA), respectively. The loan agreements for TIFIA and WIFIA provide for continuing compliance requirements through debt maturity, and therefore, IFA reports the prior year loan balances, plus any additional draws, on the schedule of expenditures of federal awards.

TIFIA funds were used to finance the East End Crossing, a component of the Ohio River Bridges Project. The bridge opened to the public in December 2016. There were no expenditures for the year ended June 30, 2019. For the year ended June 30, 2020, the TIFIA loan balance outstanding was \$129,019,511.

WIFIA funds were used to finance two projects: the DigIndy Tunnel System (DigIndy) project and the Integrated Overflow Control Plan (IOCP) project being completed by CWA Authority, Inc. and Evansville Water and Sewer Utility, respectively. The DigIndy project was substantially completed in June 2019, and the IOCP project was in progress at June 30, 2020. WIFIA expenditures and loan balance outstanding were \$164,000,000 as of and for the year ended June 30, 2020.

INDIANA FINANCE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020**

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes _____✓ no
- Significant deficiency(ies) identified? _____ yes _____✓ none reported

Noncompliance material to financial statements noted? _____ yes _____✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____✓ no
- Significant deficiency(ies) identified? _____ yes _____✓ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes _____✓ no

Identification of major programs:

CFDA Number	Agency	Title
21.019	U.S Department of Treasury	Coronavirus Relief Fund
66.958	U.S Environmental Protection Agency	Water Infrastructure Finance and Innovation Act (WIFA) Program

INDIANA FINANCE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2020**

Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between
type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

_____ yes ✓ no

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None