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February 21, 2022

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, 2020 to June 30, 2021. Per the *Independent Auditors' Report*, the financial statements included in the report present fairly the financial condition of the Indiana Finance Authority as of June 30, 2021, 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, 2021

INDIANA FINANCE AUTHORITY
(A Component Unit of the State of Indiana)
FINANCIAL STATEMENTS
June 30, 2021

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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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2021, 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 87 through 88, Indiana Toll Road infrastructure condition rating on page 89, and schedules of IFA's proportionate share of the net pension liability and IFA contributions and related notes on pages 90 through 92 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 94 through 96 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules of segment reporting – statements of net position, revenues, expenses and changes in net position, and cash flows are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of segment reporting – statements of net position, revenues, expenses and changes in net position, and cash flows are 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 14, 2021, 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 14, 2021

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



INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

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, 2021. 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, 2021

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 2021 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 2021, IFA:

- Loaned \$382.8 million to Indiana communities to fund drinking water and wastewater infrastructure projects
- Distributed over \$314 million of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds to Indiana communities
- Defeased \$171 million of State Revolving Fund bonds
- Refinanced \$124 million of the Transportation Infrastructure Finance and Innovation Act loan
- Drew \$110 million of the Water Infrastructure Finance and Innovation Act loan to fund wastewater and drinking water infrastructure projects
- Defeased \$63.5 million of State Office Building Appropriation bonds
- Defeased \$48 million of State Fair Appropriation bonds
- Defeased \$6 million Recreational Development Commission Revenue 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, 2021

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, 2021

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, 2021

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, 2021

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

Water Infrastructure Assistance Fund reports on low interest loans provided to Indiana communities to improve water 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, 2021

**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, 2021

	Governmental Activities	Business-Type Activities	Total Activities
Assets			
Cash and investments	\$ 340	\$ 315	\$ 655
Accounts, interest, loans, and lease receivable	984	3,143	4,127
Investment in direct financing leases	830	-	830
Capital assets, net	1,226	580	1,806
Other assets	95	-	95
Total assets	\$ 3,475	\$ 4,038	\$ 7,513
Deferred Outflows of Resources			
Deferred outflow of resources related to pension	\$ 1	\$ -	\$ 1
Deferred swap termination	50	-	50
Loss on debt refunding	9	8	17
Accumulated decrease in fair value of hedging derivatives	109	-	109
Total deferred outflows of resources	\$ 169	\$ 8	\$ 177
Liabilities			
Accounts payable and other liabilities	\$ 6	\$ 3	\$ 9
Interest payable	22	30	52
Unearned revenue	32	-	32
Derivative instrument liability	109	-	109
Amount due to primary government	114	-	114
Net pension liability	2	-	2
Bonds and notes payable and other long-term obligations	2,708	1,821	4,529
Total liabilities	\$ 2,993	\$ 1,854	\$ 4,847
Deferred Inflows of Resources			
Deferred inflow of resources related to pension	\$ 1	\$ -	\$ 1
Advanced payment for service concession agreement	-	3,920	3,920
Deferred service concession arrangement receipts	-	265	265
Total deferred inflows of resources	\$ 1	\$ 4,185	\$ 4,186
Net Position			
Net investment in capital assets	\$ 437	\$ 315	\$ 752
Restricted	107	1,553	1,660
Unrestricted	106	(3,861)	(3,755)
Total net position	\$ 650	\$ (1,993)	\$ (1,343)

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

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

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows of Resources	\$ 7,690	\$ 8,650
Liabilities and Deferred Inflows of Resources	<u>(9,033)</u>	<u>(9,646)</u>
Net position	<u>\$ (1,343)</u>	<u>\$ (996)</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 (\$1,343) million at June 30, 2021, which represents a \$347 million, or 34.8% decrease from the prior year's net position. Total assets and deferred outflows of resources decreased by \$960 million, while total liabilities and deferred inflows decreased by \$613 million.

Assets and deferred outflows were lower due to the \$304 million decrease in cash and investments, \$282 million decrease of accounts, interest, loans, and lease receivables, \$201 million decrease in net capital assets, \$122 million decrease in direct financing leases, the accumulated fair value of hedging derivatives decreasing \$35 million, and the amortization of the loss on debt refunding of \$5 million and the deferred swap termination of \$5 million.

Liabilities and deferred inflows decreased due to the \$517 million in debt decrease from regularly scheduled bond and note payments and defeasance, the \$35 million decrease in the derivative instrument liability, \$65 million of recognition of Indiana Toll Road revenue, \$17 million decrease in unearned revenue, and \$9 million decrease in interest payable. The decreases were offset by the \$36 million increase in amount due to primary government. 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. 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, \$300 million in fiscal year 2020 and \$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, 2020, and 2021 were transferred to INDOT's Major Moves Fund. 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, 2021

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, 2021

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Lease rental	\$ 242	\$ 84	\$ 326
Investment earnings	-	2	2
Interest on loans	-	78	78
State appropriation and grants	322	20	342
Other	82	7	89
Total revenues	646	191	837
Expenses			
IFA operations and other	370	42	412
Interest expense	128	61	189
Distribution to primary government	295	328	623
Total expenses	793	431	1,224
Capital Contributions	9	31	40
Transfers in (out)	-	-	-
Change in net position	(138)	(209)	(347)
Net position, beginning of year	788	(1,784)	(996)
Net position , end of year	\$ 650	\$ (1,993)	\$ (1,343)

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

	<u>2021</u>	<u>2020</u>
Revenues and Capital Contributions	\$ 877	\$ 476
Expenses	<u>(1,224)</u>	<u>(588)</u>
Change in net position	<u>\$ (347)</u>	<u>\$ (112)</u>

The decrease in net position was \$347 million for the fiscal year ended June 30, 2021, as compared to a decrease of net position of \$112 million for the prior year. Revenue and capital contributions increased by \$401 million, which represents a 84.3% change from the prior year. Expenses increased by \$636 million, which represents a 108.2% change from the prior year. Revenue and capital contributions increased due to increase in lease rentals and State appropriations. Expenses were higher due to transferring property back to the State this fiscal year due to the defeasances.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

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 \$830 million. 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 \$748 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 \$132 million and accumulated depreciation of \$6 million. The total decrease in the State Office Building Commission's net capital assets is \$255 million, which is due to debt being defeased in the current year and property being transferred back to the State. 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 \$1.1 billion.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

Indiana Finance Authority
Capital and Infrastructure Assets (in millions of dollars)
June 30, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
Capital Assets			
Property, plant and equipment, net:			
State Office Building Commission	\$ 126	\$ -	\$ 126
Brownfield	4	-	4
Public Private Partnerships	1,096	-	1,096
Indiana Toll Road Lease Fund	<u>-</u>	<u>580</u>	<u>580</u>
Total	<u>\$1,226</u>	<u>\$ 580</u>	<u>\$1,806</u>
 Investment in Direct Financing Leases			
State Office Building Commission	\$ 7	\$ -	\$ 7
Indiana Motorsports Commission	75	-	75
Highway Revenue Bonds	<u>748</u>	<u>-</u>	<u>748</u>
Total	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ 830</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. Additional information on IFA's direct financing leases can be found below in the Investment in Direct Financing Leases Activity section and in Note 7 to the financial statements on pages 63 through 65 of this report.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

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, 2020	Increases	Decreases	Balance June 30, 2021
Highway Revenue Bonds	\$ 813,768,760	\$ -	\$ 65,745,896	\$ 748,022,864
Indiana Motorsports Commission Bonds	78,520,000	-	3,700,000	74,820,000
Public Private Partnerships	129,019,511	125,395,000	134,059,511	120,355,000
State Office Building Commission	241,095,049	-	102,029,029	139,066,020
Stadium Project Bonds	1,013,024,604	-	16,018,553	997,006,051
	<u>\$ 2,275,427,924</u>	<u>\$ 125,395,000</u>	<u>\$ 321,552,989</u>	<u>\$ 2,079,269,935</u>

Contract Payable	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Public Private Partnerships	\$ 632,428,319	\$ -	\$ 3,984,637	\$ 628,443,682

Business-Type Activities:

Debt	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
State Revolving Program Fund	\$ 2,078,198,195	\$ 110,000,000	\$ 366,799,872	\$ 1,821,398,323
Recreational Development Commission	9,610,445	-	9,610,445	-
State Fair	50,259,156	-	50,259,156	-
	<u>\$ 2,138,067,796</u>	<u>\$ 110,000,000</u>	<u>\$ 426,669,473</u>	<u>\$ 1,821,398,323</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, 2020	Increases	Decreases	Balance June 30, 2021
State Office Building Commission	\$ 10,155,563	\$ -	\$ 3,114,543	\$ 7,041,020
Highway Revenue Bonds	813,768,760	-	65,745,896	748,022,864
Indiana Motorsports Commission	78,520,000	-	3,700,000	74,820,000
	<u>\$ 902,444,323</u>	<u>\$ -</u>	<u>\$ 72,560,439</u>	<u>\$ 829,883,884</u>

Business-Type Activities:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
State Fair	\$ 50,259,156	\$ -	\$ 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 77 of this report.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2021

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 saw a reduction in toll revenues from a decrease in commuter activity, but no other 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.

Business-Type Activities

On July 7, 2021, IFA issued 2021A SRF Program Bonds for the aggregate amount of \$81.6 million, maturing from February 1, 2022 to February 1, 2032, at interest rate of 5%. Of this, \$70.3 million was allocated to the WSRF Program and \$11.3 million was allocated to the DWSRF Program.

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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash	\$ 2,147,080	\$ 1,967,088	\$ 4,114,168
Investments	337,725,453	274,756,474	612,481,927
Interest receivable on investments and loans	16,837	33,924,589	33,941,426
Prepaid expenses	2,196,550	-	2,196,550
Lease income receivable	16,253,925	2,047,237	18,301,162
Grants and accounts receivable	16,002,417	68,218	16,070,635
Loans receivable, net	13,911,051	143,688,266	157,599,317
Interfund receivable	589,731	65,218	654,949
Investment in direct financing leases	71,649,424	-	71,649,424
Total current assets	460,492,468	456,517,090	917,009,558
Noncurrent assets:			
Investments	-	38,083,448	38,083,448
Investment in direct financing leases	758,234,460	-	758,234,460
Prepaid expenses	92,977,232	-	92,977,232
Loans receivable, net	936,898,747	2,963,983,614	3,900,882,361
Capital assets, net	1,225,891,597	579,952,371	1,805,843,968
Total noncurrent assets	3,014,002,036	3,582,019,433	6,596,021,469
Total Assets	\$ 3,474,494,504	\$ 4,038,536,523	\$ 7,513,031,027
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources related to pension	\$ 687,857	\$ -	\$ 687,857
Deferred swap termination	50,236,283	-	50,236,283
Loss on debt refunding	8,661,935	7,967,457	16,629,392
Accumulated decrease in fair value of hedging derivatives	109,556,849	-	109,556,849
Total Deferred Outflows of Resources	\$ 169,142,924	\$ 7,967,457	\$ 177,110,381

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 6,360,426	\$ 2,271,227	\$ 8,631,653
Interfund payable	292,689	362,260	654,949
Interest payable	21,709,155	29,959,215	51,668,370
Amount due to primary government	113,785,944	-	113,785,944
Unearned revenue	31,686,236	-	31,686,236
Revenue bonds payable	100,480,000	112,970,000	213,450,000
Contract payable	14,737,085	-	14,737,085
Notes payable	1,579,424	7,823,100	9,402,524
Construction retention	33,293	-	33,293
Amount due to federal government	-	125,263	125,263
Pollution remediation	-	612,324	612,324
Total current liabilities	290,664,252	154,123,389	444,787,641
Noncurrent liabilities:			
Derivative instrument liability	109,556,849	-	109,556,849
Revenue bonds payable	1,971,748,915	1,443,559,423	3,415,308,338
Contract payable	613,706,597	-	613,706,597
Notes payable	5,461,596	257,045,800	262,507,396
Amount due to federal government	-	72,146	72,146
Net pension liability	1,662,123	-	1,662,123
Total noncurrent liabilities	2,702,136,080	1,700,677,369	4,402,813,449
Total Liabilities	\$ 2,992,800,332	\$ 1,854,800,758	\$ 4,847,601,090
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources related to pension	\$ 371,894	\$ -	\$ 371,894
Advanced payment for service concession agreement	-	3,920,005,589	3,920,005,589
Deferred service concession arrangement receipts	-	264,957,437	264,957,437
Total Deferred Inflows of Resources	\$ 371,894	\$ 4,184,963,026	\$ 4,185,334,920
NET POSITION			
Net investment in capital assets	\$ 436,908,770	\$ 314,802,073	\$ 751,710,843
Restricted for:			
Debt service	107,026,438	434	107,026,872
Environmental and other projects	-	1,553,139,769	1,553,139,769
Unrestricted	106,529,994	(3,861,202,080)	(3,754,672,086)
Total Net Position	\$ 650,465,202	\$ (1,993,259,804)	\$ (1,342,794,602)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

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	\$ 319,402,060	\$ 5,360,766	\$ 314,460,819	\$ 419,525	\$ -	\$ 419,525
Conduit Debt Program	215,982	330,945	-	114,963	-	114,963
Environmental	6,328,422	4,256,895	1,178,781	(892,746)	-	(892,746)
Transportation Finance	40,954,346	40,752,468	-	(201,878)	-	(201,878)
State Office Buildings Finance	317,053,842	92,011,557	-	(225,042,285)	-	(225,042,285)
Indiana Motorsports Commission	3,152,441	3,152,441	-	-	-	-
Public Private Partnerships	54,093,299	141,971,553	-	87,878,254	-	87,878,254
Stadium and Convention Center Finance	52,039,633	47,851,366	4,188,267	-	-	-
Total Governmental Activities	793,240,025	335,687,991	319,827,867	(137,724,167)	-	(137,724,167)
Business-Type Activities:						
Drinking Water and Wastewater	91,282,536	79,750,106	31,124,389	-	19,591,959	19,591,959
Water Infrastructure Assist Fund	53,000	20,011,599	-	-	19,958,599	19,958,599
Toll Road Lease	308,158,763	77,941,192	-	-	(230,217,571)	(230,217,571)
Local Trans Infrastructure Revolving Fund	-	39,334	-	-	39,334	39,334
Flood Control	3,435	24,440	-	-	21,005	21,005
Health and Education	438,502	378,790	-	-	(59,712)	(59,712)
State Fair	8,530,678	3,526,967	-	-	(5,003,711)	(5,003,711)
Recreation Development Finance	22,139,462	7,260,239	-	-	(14,879,223)	(14,879,223)
Total Business-Type Activities	430,606,376	188,932,667	31,124,389	-	(210,549,320)	(210,549,320)
Total Primary Government	\$ 1,223,846,401	\$ 524,620,658	\$ 350,952,256	\$ (137,724,167)	\$ (210,549,320)	\$ (348,273,487)
General Revenues						
Investment earnings, net				\$ 39,429	\$ 1,574,935	\$ 1,614,364
Other Financing Sources						
Transfers				408,330	(408,330)	-
Total General and Other Sources				447,759	1,166,605	1,614,364
Change in net position				(137,276,408)	(209,382,715)	(346,659,123)
Net Position - Beginning of year				787,741,610	(1,783,877,089)	(996,135,479)
Net Position - End of year				\$ 650,465,202	\$ (1,993,259,804)	\$ (1,342,794,602)

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 2,147,080	\$ -	\$ 2,147,080
Investments	8,267,821	14,669,938	22,937,759
Interest receivable on investments	136	284	420
Interest receivable on loans	-	8,010	8,010
Accounts receivable	2,177,985	41,558	2,219,543
Loans receivable, net	-	4,683,792	4,683,792
Interfund receivable	589,731	-	589,731
Capital assets, net of accumulated depreciation	-	3,531,001	3,531,001
Total Assets	<u>\$ 13,182,753</u>	<u>\$ 22,934,583</u>	<u>\$ 36,117,336</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 1,177,371	\$ 148,771	\$ 1,326,142
Interfund payable	-	147,721	147,721
Unearned revenue	6,310,332	-	6,310,332
Total Liabilities	<u>7,487,703</u>	<u>296,492</u>	<u>7,784,195</u>
Fund Balances:			
Nonspendable			
Equipment	-	3,531,001	3,531,001
Restricted	-	-	-
Committed			
Environmental Brownfield remediation	-	8,385,933	8,385,933
Assigned			
Environmental Brownfield remediation	-	9,292,675	9,292,675
Unassigned	5,695,050	1,428,482	7,123,532
Total Fund Balances	<u>5,695,050</u>	<u>22,638,091</u>	<u>28,333,141</u>
Total Liabilities and Fund Balances	<u>\$ 13,182,753</u>	<u>\$ 22,934,583</u>	<u>\$ 36,117,336</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, 2021

Total fund balances - governmental funds \$ 28,333,141

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. 623,478,221

Effect of net pension liability and deferred inflow and outflow of resources related to pension liability. (1,346,160)

Net position of governmental activities \$ 650,465,202

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, 2021**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues			
State appropriations	\$ -	\$ 2,500,000	\$ 2,500,000
Investment earnings, net	7,987	4,011	11,998
Interest on loans	-	26,461	26,461
Financing fees and premiums	187,575	330,945	518,520
Grants and other funding	319,639,153	1,730,434	321,369,587
Total Revenues	<u>319,834,715</u>	<u>4,591,851</u>	<u>324,426,566</u>
Expenditures			
General government	319,546,786	-	319,546,786
Business development	-	215,982	215,982
Environmental	-	6,328,422	6,328,422
Total Expenditures	<u>319,546,786</u>	<u>6,544,404</u>	<u>326,091,190</u>
Excess (Deficit) of Revenues over Expenditures	<u>287,929</u>	<u>(1,952,553)</u>	<u>(1,664,624)</u>
Other Financing Sources			
Capital contributions	-	1,178,781	1,178,781
Total Other Financing Sources	<u>-</u>	<u>1,178,781</u>	<u>1,178,781</u>
Net Change in Fund Balances	287,929	(773,772)	(485,843)
Fund Balances - Beginning of year	5,407,121	23,411,863	28,818,984
Fund Balances - End of year	<u>\$ 5,695,050</u>	<u>\$ 22,638,091</u>	<u>\$ 28,333,141</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, 2021

Net change in fund balances - governmental funds \$ (485,843)

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. (136,935,291)

Effect of net pension liability and deferred inflow and outflow of related to net pension liability, pension expense and amortization of deferrals. 144,726

Change in net position of governmental activities \$ (137,276,408)

See accompanying notes to financial statements.

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2021**

	Enterprise Funds				Internal Service Funds
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash	\$ -	\$ -	\$ 1,967,088	\$ 1,967,088	\$ -
Investments	206,932,169	35,570,478	32,244,332	274,746,979	314,797,189
Interest receivable on investments	411,621	620	571	412,812	8,842
Interest receivable on loans	33,413,398	-	97,944	33,511,342	-
Prepaid lease	-	-	-	-	2,196,550
Lease income receivable	-	2,047,237	-	2,047,237	16,253,925
Grants and accounts receivable	68,218	-	-	68,218	13,782,874
Loans receivable, net	142,100,840	-	1,587,426	143,688,266	12,985,000
Interfund receivable	-	-	65,218	65,218	-
Investment in direct financing leases	-	-	-	-	71,649,424
Total current assets	382,926,246	37,618,335	35,962,579	456,507,160	431,673,804
Noncurrent assets:					
Investments	38,083,448	-	-	38,083,448	-
Investment in direct financing leases	-	-	-	-	758,234,460
Prepaid lease	-	-	-	-	92,977,232
Loans receivable, net	2,951,171,607	-	12,812,007	2,963,983,614	933,141,006
Capital assets, net of accumulated depreciation	105,791	579,653,719	192,861	579,952,371	1,222,360,596
Total noncurrent assets	2,989,360,846	579,653,719	13,004,868	3,582,019,433	3,006,713,294
Total Assets	\$ 3,372,287,092	\$ 617,272,054	\$ 48,967,447	\$ 4,038,526,593	\$ 3,438,387,098
DEFERRED OUTFLOWS OF RESOURCES					
Deferred swap termination	\$ -	\$ -	\$ -	\$ -	\$ 50,236,283
Loss on debt refunding	7,967,457	-	-	7,967,457	8,661,935
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	109,556,849
Total Deferred Outflows of Resources	\$ 7,967,457	\$ -	\$ -	\$ 7,967,457	\$ 168,455,067
LIABILITIES					
Current liabilities:					
Accounts payable and accrued expenses	\$ 59,538	\$ 2,047,271	\$ 164,418	\$ 2,271,227	\$ 5,034,284
Interfund payable	334,489	-	27,771	362,260	144,968
Interest payable	29,959,215	-	-	29,959,215	21,709,155
Amount due to primary government	-	-	-	-	113,785,944
Unearned revenue	-	-	-	-	25,375,904
Revenue bonds payable	112,970,000	-	-	112,970,000	100,480,000
Contract payable	-	-	-	-	14,737,085
Notes payable	7,823,100	-	-	7,823,100	1,579,424
Construction retention	-	-	-	-	33,293
Amount due to federal government	125,263	-	-	125,263	-
Pollution remediation	-	612,324	-	612,324	-
Total current liabilities	151,271,605	2,659,595	192,189	154,123,389	282,880,057
Noncurrent liabilities:					
Derivative instrument liability	-	-	-	-	109,556,849
Contract payable	-	-	-	-	613,706,597
Notes payable	257,045,800	-	-	257,045,800	5,461,596
Revenue bonds payable	1,443,559,423	-	-	1,443,559,423	1,971,748,915
Amount due to federal government	72,146	-	-	72,146	-
Total noncurrent liabilities	1,700,677,369	-	-	1,700,677,369	2,700,473,957
Total Liabilities	\$ 1,851,948,974	\$ 2,659,595	\$ 192,189	\$ 1,854,800,758	\$ 2,983,354,014
DEFERRED INFLOWS OF RESOURCES					
Advanced payment for service concession agreement	\$ -	\$ 3,920,005,589	\$ -	\$ 3,920,005,589	\$ -
Deferred service concession arrangement receipts	-	264,957,437	-	264,957,437	-
Total Deferred Inflows of Resources	\$ -	\$ 4,184,963,026	\$ -	\$ 4,184,963,026	\$ -
NET POSITION					
Net investment in capital assets	\$ 105,791	\$ 314,696,282	\$ -	\$ 314,802,073	\$ 436,908,770
Restricted for debt service	-	-	-	-	107,026,872
Restricted for environmental and other projects	1,528,199,784	-	24,939,985	1,553,139,769	-
Unrestricted	-	(3,885,046,849)	23,835,273	(3,861,211,576)	79,552,509
Total Net Position	\$ 1,528,305,575	\$ (3,570,350,567)	\$ 48,775,258	\$ (1,993,269,734)	\$ 623,488,151

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, 2021

Total net position - enterprise funds \$(1,993,269,734)

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.

9,930

Net position of business-type activities \$(1,993,259,804)

**INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the year ended June 30, 2021**

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
State appropriations	\$ -	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -
Lease rental income	-	73,589,060	-	73,589,060	252,782,991
Interest on loans	78,105,854	-	210,161	78,316,015	-
Financing fees and premiums	1,422,600	-	378,790	1,801,390	3,830,044
Other funding	-	4,352,132	86,864	4,438,996	76,126,303
Total operating revenue	<u>79,528,454</u>	<u>77,941,192</u>	<u>20,675,815</u>	<u>178,145,461</u>	<u>332,739,338</u>
Operating Expenses					
Personal services	2,189,048	-	148,684	2,337,732	892,104
Nonpersonal services	59,436	39	225,232	284,707	4,882,723
Professional services	391,715	38,474	2,023,129	2,453,318	4,503,213
Supplies	845	-	195	1,040	2,544
Equipment and building fixtures	4,229	-	5,039	9,268	30,234
Travel	1,594	-	681	2,275	-
Interest expense	59,887,506	-	-	59,887,506	129,545,064
Depreciation and bond issuance costs	461	-	-	461	13,228,677
Grants	-	-	1,176,457	1,176,457	-
Reimbursement agreement loss	1,378,598	-	-	1,378,598	-
Other expense	125,980	57,531	430,127	613,638	29,987,225
Total operating expenses	<u>64,039,412</u>	<u>96,044</u>	<u>4,009,544</u>	<u>68,145,000</u>	<u>183,071,784</u>
Operating income	<u>15,489,042</u>	<u>77,845,148</u>	<u>16,666,271</u>	<u>110,000,461</u>	<u>149,667,554</u>
Nonoperating Revenues (Expenses)					
Investment earnings, net	1,276,710	13,247	285,303	1,575,260	21,963
Distribution to primary government	-	(308,062,719)	-	(308,062,719)	(314,891,917)
Total nonoperating revenues (expenses)	<u>1,276,710</u>	<u>(308,049,472)</u>	<u>285,303</u>	<u>(306,487,459)</u>	<u>(314,869,954)</u>
Income (loss) before Capital Contributions and Transfers	16,765,752	(230,204,324)	16,951,574	(196,486,998)	(165,202,400)
Capital Contributions	31,124,389	-	-	31,124,389	7,975,520
Forgivable Loan Expense	(23,728,517)	-	-	(23,728,517)	-
Transfers in (out)	<u>(474,271)</u>	<u>(212,522)</u>	<u>474,271</u>	<u>(212,522)</u>	<u>212,522</u>
Change in Net Position	23,687,353	(230,416,846)	17,425,845	(189,303,648)	(157,014,358)
Net Position - Beginning 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>
Net Position - End of year	<u>\$ 1,528,305,575</u>	<u>\$ (3,570,350,567)</u>	<u>\$ 48,775,258</u>	<u>\$ (1,993,269,734)</u>	<u>\$ 623,488,151</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, 2021**

Net change in net position - enterprise funds \$ (189,303,648)

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.

(20,079,067)

Change in net position of business-type activities \$ (209,382,715)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2021

	Enterprise Funds				
	State		Other		Internal
	Revolving Fund	Toll Road Lease Fund	Enterprise Funds	Total	Service Funds
Cash Flows from Operating Activities					
Lease, rent and toll receipts	\$ -	\$ 8,221,449	\$ -	\$ 8,221,449	\$ 326,425,861
Other operating income	44,002	8,568	20,530,475	20,583,045	8,419,407
Payments for general and administrative expenses	(2,845,817)	(8,466,729)	(2,510,109)	(13,822,655)	(292,386,348)
Payments for grants	-	-	(1,176,457)	(1,176,457)	-
Transfers	(474,271)	-	474,271	-	-
Net Cash Provided (Used) by Operating Activities	<u>(3,276,086)</u>	<u>(236,712)</u>	<u>17,318,180</u>	<u>13,805,382</u>	<u>42,458,920</u>
Cash Flows from Investing Activities					
Principal repayments of loans	356,885,578	-	2,996,831	359,882,409	11,855,000
Issuance of loans	(382,751,777)	-	(7,609,537)	(390,361,314)	-
Change in investments	27,610,322	-	-	27,610,322	-
Interest received on loans and investments, net	81,173,948	15,553	506,944	81,696,445	38,047
Change in direct financing lease	-	-	-	-	53,373,699
Purchase/transfer of property and equipment	-	397,565	-	397,565	264,157,709
Net Cash Provided (Used) by Investing Activities	<u>82,918,071</u>	<u>413,118</u>	<u>(4,105,762)</u>	<u>79,225,427</u>	<u>329,424,455</u>
Cash Flows from Non-Capital Financing Activities					
Proceeds from debt issuance	110,000,000	-	-	110,000,000	-
Principal payments to reduce indebtedness including refunding	(341,668,558)	-	-	(341,668,558)	-
Interest paid on debt	(87,648,745)	-	-	(87,648,745)	-
Net Cash Used by Non-Capital Financing Activities	<u>(319,317,303)</u>	<u>-</u>	<u>-</u>	<u>(319,317,303)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from debt issuance	-	-	-	-	125,395,000
Principal payments to reduce indebtedness	-	-	-	-	(378,909,411)
Interest paid on debt	-	-	-	-	(131,119,780)
Direct financing lease principal receipts	-	-	-	-	66,555,000
Acquisition of capital assets	-	-	-	-	(76,542,556)
Capital contributions	31,189,210	-	-	31,189,210	7,975,520
Issuance of forgivable loans to participants	(23,728,517)	-	-	(23,728,517)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>7,460,693</u>	<u>-</u>	<u>-</u>	<u>7,460,693</u>	<u>(386,646,227)</u>
Net Increase (Decrease) in Cash and Short-term Investments	(232,214,625)	176,406	13,212,418	(218,825,801)	(14,762,852)
Cash and Short-term Investments					
Beginning of Year	439,146,794	35,394,072	20,999,002	495,539,868	329,560,041
End of Year	<u>\$ 206,932,169</u>	<u>\$ 35,570,478</u>	<u>\$ 34,211,420</u>	<u>\$ 276,714,067</u>	<u>\$ 314,797,189</u>
Cash and Short-term Investments					
Cash	\$ -	\$ -	\$ 1,967,088	\$ 1,967,088	\$ -
Short-term Investments	206,932,169	35,570,478	32,244,332	274,746,979	314,797,189
	<u>\$ 206,932,169</u>	<u>\$ 35,570,478</u>	<u>\$ 34,211,420</u>	<u>\$ 276,714,067</u>	<u>\$ 314,797,189</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating income	\$ 15,489,042	\$ 77,845,148	\$ 16,666,271	\$ 110,000,461	\$ 149,667,554
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Interest on loans	(78,105,854)	-	(210,161)	(78,316,015)	-
Interest expense	59,887,506	-	-	59,887,506	129,545,064
Bond issuance costs	-	-	-	-	854,439
Amortization of deferred revenue	-	(69,711,175)	-	(69,711,175)	-
Depreciation	461	-	-	461	12,803,193
Distribution to primary government	-	(308,062,719)	-	(308,062,719)	(314,891,917)
Transfer for administrative reimbursement	(474,271)	(212,522)	474,271	(212,522)	212,522
Changes in assets and liabilities:					
Accounts receivable and other assets	(1,000)	299,977,768	494,948	300,471,716	2,500,089
Accounts payable, accrued expenses and other liabilities	(197,950)	(73,212)	(107,149)	(378,311)	36,392,072
Unearned revenue	-	-	-	-	25,375,904
Amount due to federal government	125,980	-	-	125,980	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,276,086)</u>	<u>\$ (236,712)</u>	<u>\$ 17,318,180</u>	<u>\$ 13,805,382</u>	<u>\$ 42,458,920</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

The accompanying financial statements of Indiana Finance Authority (IFA) as of June 30, 2021, 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, 2021

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 \$743 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, 2021

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, Water Infrastructure Assistance 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, 2021

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, 2021

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, 2021

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.

Water Infrastructure Assistance Fund reports on low interest loans and grants provided to Indiana communities to improve water 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 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, fiscal year 2020, and fiscal year 2021 were transferred to INDOT's Major Moves Fund.

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, 2021

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, I-69 Section 6 Contract 5 project, and Sherman Minton 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021.

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, 2021, 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 in the General Fund.

Contract Payable: IFA has entered into a Public-Private Partnership (P3) in regard 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, 2021

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 reported at June 30, 2021, are deferred outflows of resources related to pension, deferred swap termination, loss on debt refunding, and accumulated decrease in fair value of hedging derivatives. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expended future working lifetime of all plan members. 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. The accumulated decrease in fair value of hedging derivatives has a corresponding noncurrent derivative instruments liability, which represents the fair market value of interest rate swaps.

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 reported at June 30, 2021, are deferred inflow of resources related to pension, advanced payment for concession agreement, and deferred service concession arrangement receipts. 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 for advanced payment for service concession agreement and deferred service concession arrangement receipts 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, 2021:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Liabilities - Amount due to primary government		
Current:		
Division of Historic Preservation and Archaeology	\$ 89,438	\$ -
Evansville State Hospital	8,079,009	
Government Center North	5,138,627	-
Government Center South	5,070,703	-
Government Parking Garages	5,801,498	-
Indiana State Museum	4,871,663	-
Logansport State Hospital	8,612,922	
Miami Correctional Facility	22,042,302	-
New Castle Correctional Facility	5,141,047	
Pendleton Juvenile Correctional Facility	14,187,279	-
Rockville Correctional Facility	10,273,677	-
Southeast Regional Treatment Center	4,683,739	
Toxicology Lab Project - ISP	8,624,745	-

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Toxicology Lab Project - ISDH	\$ 1,886	-
Wabash Valley Correctional Facility	<u>11,167,409</u>	<u>-</u>
	<u>\$ 113,785,944</u>	<u>\$ -</u>

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 14, 2021, 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, 2021

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, 2021

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, 2021

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, 2021

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
 - only no-load funds are permitted (*i.e.* no commission, gate or fee should be charged on purchases or sales of shares)
 - 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
 - these funds seek to maintain a stable net asset value of \$1.00 per share
 - 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, 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	\$ 332,597,474	\$ 332,597,474	\$ -	\$ -
Bank Deposits	5,127,979	5,127,979	-	-
Total	\$ 337,725,453	\$ 337,725,453	\$ -	\$ -

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	\$ 246,842,043	\$ 246,842,043	\$ -	\$ -
U.S. Treasury	50,040,357	22,037,696	18,044,614	9,958,047
Government Obligations	15,957,522	5,876,735	10,080,787	-
Total	\$ 312,839,922	\$ 274,756,474	\$ 28,125,401	\$ 9,958,047

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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, 2021 are as follows:

Governmental Activities:

Investment Type	S & P	Moody's	Fitch	Fair Value
Money Market Investment	AAAm	Aaa-mf	N/A	\$ 293,339,068
	AAAm	Aaa-mf	AAAmmf	39,258,406
Bank Deposits	N/A	Aa1	AA+	4,742,979
	AA-	Aa1	AA+	385,000
				\$ 337,725,453

Business-Type Activities:

Investment Type	S & P	Moody's	Fitch	Fair Value
Money Market Investment	AAAm	Aaa-mf	N/A	\$ 195,900,515
	AAAm	Aaa-mf	AAAmmf	38,941,528
	AA+	Aaa	AAA	12,000,000
U.S. Treasury	AA+	Aaa	AAA	50,040,357
Government Obligations	AA+	Aaa	AAA	15,957,522
				\$ 312,839,922

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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, 2021, 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, 2021:

BlackRock Fed Fund Instl 30	43%
Dreyfus Govt Cash Management Instl 289	23%
Goldman FS Govt Inst 465	9%
U.S. Treasury	8%
First Amer Prime Oblig Fd	6%

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, 2021, 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, 2021

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, 2021, 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, 2021, the carrying amount of demand deposits was \$4,114,107, and bank balances were \$4,467,990. IFA's maximum risk was \$3,967,990 at June 30, 2021.

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, 2021

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, 2021.

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, 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

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, 2021:

Assets	Level 1	Level 2	Level 3	Measured at NAV	Total
Investments:					
Money Markets Fund Shares	\$ 579,439,517	\$ -	\$ -	\$ -	\$ 579,439,517
Bank Deposits	-	5,127,979	-	-	5,127,979
Government Obligations and U.S. Treasury	-	65,997,879	-	-	65,997,879
	<u>-</u>	<u>65,997,879</u>	<u>-</u>	<u>-</u>	<u>65,997,879</u>
Total Assets at Fair Value	<u>\$ 579,439,517</u>	<u>\$ 71,125,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,565,375</u>
Liabilities					
Derivative Instrument Liability			<u>\$ 109,556,849</u>		<u>\$ 109,556,849</u>

NOTE 5 - LOANS RECEIVABLE

IFA has seven 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. The program is federal and state funded. Net loans receivable were \$4,683,792 at June 30, 2021.
- 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. The program is federal and state funded. Loans receivable were \$946,126,006 at June 30, 2021.

Business-Type Activities:

- 3) **State Revolving Fund** - Low interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. The program is federal funded. Net loans receivable were \$3,093,272,447 at June 30, 2021.
- 4) **Supplemental Fund** - Low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure. The program is state funded. Net loans receivable were \$6,645,259 at June 30, 2021.
- 5) **Flood Control Revolving Fund** - Low interest loans provided to Indiana communities to improve flood control infrastructure. The program is state funded. Net loans receivable were \$1,016,044 at June 30, 2021.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 - LOANS RECEIVABLE (Continued)

- 6) **Local Transportation Infrastructure Revolving Fund** - Low interest loans provided to Indiana communities to improve transportation infrastructure. The program is state funded. Net loans receivable were \$1,557,369 at June 30, 2021.
- 7) **Water Infrastructure Assistance Fund** - Low interest loans provided to Indiana communities to improve water infrastructure. The program is state funded. Net loans receivable were \$5,180,761 at June 30, 2021.

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, 2021:

Loans receivable noncurrent	\$ 3,804,741
Loans receivable current	926,051
Less: allowance for uncollectible loans	<u>(47,000)</u>
	<u>\$ 4,683,792</u>

There were thirteen loans and advances outstanding with Indiana municipalities at June 30, 2021. Approximately \$481,000 was available for disbursement on four outstanding loan commitments. Interest earned on these loans receivable during the year ended June 30, 2021 was approximately \$26,000, and accrued interest was approximately \$8,000 at June 30, 2021.

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, 2021:

Stadium noncurrent	\$ 605,786,378
Stadium current	11,820,000
Convention Center noncurrent	327,354,628
Convention Center current	<u>1,165,000</u>
	<u>\$ 946,126,006</u>

Interest earned on these loans receivable was approximately \$47,851,000 during the year ended June 30, 2021, and accrued interest was approximately \$13,621,000 at June 30, 2021.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 - LOANS RECEIVABLE (Continued)

Due to the nature of the financing of these loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2021.

3) State Revolving Fund

The loans receivable balance at June 30, 2021 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

Wastewater Fund noncurrent	\$2,479,073,960
Wastewater Fund current	109,928,719
Drinking Water Fund noncurrent	540,410,477
Drinking Water Fund current	<u>32,172,121</u>
	3,161,585,277
Less: allowance for forgivable portion - Wastewater	(53,899,815)
Less: allowance for forgivable portion - Drinking Water	<u>(14,413,015)</u>
	<u>\$3,093,272,447</u>

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 \$78,106,000 during the year ended June 30, 2021, and accrued interest was approximately \$33,413,000 at June 30, 2021.

4) Supplemental Fund

Loans receivable were comprised of the following at June 30, 2021:

Loans receivable noncurrent	\$ 8,305,970
Loans receivable current	1,206,150
Less: allowance for uncollectible loans	(96,000)
Less: allowance for forgivable portion of Supplemental loans	<u>(2,770,861)</u>
	<u>\$ 6,645,259</u>

There were forty-five loans and advances outstanding with Indiana municipalities for drinking water and wastewater projects at June 30, 2021. Interest earned on these loans receivable during the year ended June 30, 2021 was approximately \$135,000, and accrued interest was approximately \$61,000 at June 30, 2021.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 5 - LOANS RECEIVABLE (Continued)

5) Flood Control Revolving Fund

Loans receivable were comprised of the following at June 30, 2021:

Loans receivable noncurrent	\$ 865,768
Loans receivable current	161,276
Less: allowance for uncollectible loans	<u>(11,000)</u>
	<u>\$ 1,016,044</u>

There were nine loans and advances outstanding with Indiana municipalities for flood control projects at June 30, 2021. Interest earned on these loans receivable was approximately \$24,000 during the year ended June 30, 2021, and accrued interest was approximately \$9,000 at June 30, 2021.

6) Local Transportation Infrastructure Revolving Fund

Loans receivable were comprised of the following at June 30, 2021:

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

There is one loan and advance outstanding with a Indiana municipality for local infrastructure projects at June 30, 2021. Interest earned on these loans receivable was approximately \$39,000 during the year ended June 30, 2021, and accrued interest was approximately \$16,000 at June 30, 2021.

7) Water Infrastructure Assistance Fund

Loans receivable were comprised of the following at June 30, 2021:

Loans receivable noncurrent	\$ 5,013,761
Less: receivable current	220,000
Less: allowance for uncollectible loans	<u>(53,000)</u>
	<u>\$ 5,180,761</u>

There were nine loans and advances outstanding with Indiana municipalities for water infrastructure projects at June 30, 2021. Interest earned on these loans receivable was approximately \$12,000 during the year ended June 30, 2021, and accrued interest was approximately \$12,000 at June 30, 2021.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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, 2020	Increases	Decreases	Balance at June 30, 2021
Capital assets, not being depreciated				
Land	\$ 5,663,731	\$ -	\$ 2,132,729	\$ 3,531,002
Infrastructure	1,019,944,313	10,190,663	-	1,030,134,976
Construction in progress	19,583,590	69,621,298	16,031,414	73,173,474
Total capital assets, not being depreciated	<u>1,045,191,634</u>	<u>79,811,961</u>	<u>18,164,143</u>	<u>1,106,839,452</u>
Capital assets being depreciated:				
Buildings and improvements	571,598,859	27,771,776	479,692,956	119,677,679
Furniture, machinery and equipment	9,161,748	24,929	4,080,387	5,106,290
Total capital assets, being depreciated	<u>580,760,607</u>	<u>27,796,705</u>	<u>483,773,343</u>	<u>124,783,969</u>
Less accumulated for:				
Buildings and improvements	216,469,342	11,105,346	222,968,744	4,605,944
Furniture, machinery and equipment	4,685,614	331,885	3,891,619	1,125,880
Total accumulated depreciation	<u>221,154,956</u>	<u>11,437,231</u>	<u>226,860,363</u>	<u>5,731,824</u>
Total capital assets being depreciated, net	<u>359,605,651</u>	<u>16,359,474</u>	<u>256,912,980</u>	<u>119,052,145</u>
Capital assets, net	<u>\$ 1,404,797,285</u>	<u>\$ 96,171,435</u>	<u>\$ 275,077,123</u>	<u>\$ 1,225,891,597</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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, 2020	Increases	Decreases	Balance at June 30, 2021
Capital assets, not being depreciated				
Land	\$ 29,061,710	\$ -	\$ 3,300,588	\$ 25,761,122
Infrastructure	484,036,648	-	-	484,036,648
Construction in progress	267,210	-	162,210	105,000
Total capital assets, not being depreciated	<u>513,365,568</u>	<u>-</u>	<u>3,462,798</u>	<u>509,902,770</u>
Capital assets being depreciated:				
Buildings and improvements	131,115,549	-	51,818,668	79,296,881
Furniture, machinery and equipment	32,840,806	-	820,042	32,020,764
Total capital assets, being depreciated	<u>163,956,355</u>	<u>-</u>	<u>52,638,710</u>	<u>111,317,645</u>
Less accumulated for:				
Buildings and improvements	74,945,200	1,311,309	35,036,505	41,220,004
Furniture, machinery and equipment	513,652	55,130	520,742	48,040
Total accumulated depreciation	<u>75,458,852</u>	<u>1,366,439</u>	<u>35,557,247</u>	<u>41,268,044</u>
Total capital assets being depreciated, net	<u>88,497,503</u>	<u>(1,366,439)</u>	<u>17,081,463</u>	<u>70,049,601</u>
Capital assets, net	<u>\$ 601,863,071</u>	<u>\$ (1,366,439)</u>	<u>\$ 20,544,261</u>	<u>\$ 579,952,371</u>

At June 30, 2021, 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 \$628 million.

Business-Type Activities:

Indiana Toll Road Lease Fund - Commitments related to the Indiana Toll Road were approximately \$612,000 for environmental remediation projects.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 7 - DIRECT FINANCING LEASES

At June 30, 2021, IFA's future minimum lease amounts receivable under direct financing leases were as follows:

Governmental Activities:

	Principal	Interest	Future Minimum Lease Receipts
June 30, 2022	\$ 71,649,424	\$ 38,330,642	\$ 109,980,066
June 30, 2023	76,053,854	34,599,647	110,653,501
June 30, 2024	79,857,125	30,763,603	110,620,728
June 30, 2025	81,570,617	26,775,577	108,346,194
June 30, 2026	85,720,000	22,603,473	108,323,473
2027 - 2031	307,850,000	59,251,287	367,101,287
2032- 2036	88,975,000	16,246,923	105,221,923
2037	13,560,000	678,000	14,238,000
	<u>805,236,020</u>	<u>229,249,152</u>	<u>1,034,485,172</u>
Plus remaining accretion / discount	24,647,864	-	24,647,864
	<u>\$ 829,883,884</u>	<u>\$ 229,249,152</u>	<u>\$ 1,059,133,036</u>

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

Governmental Activity

	Balance			Balance		Amounts Due	
	July 1, 2020	Increases	Decreases	June 30, 2021	Within One Year	Amount Due Thereafter	
State Office Building Commission	\$ 10,155,563	\$ -	\$ 3,114,543	\$ 7,041,020	\$ 1,579,424	\$ 5,461,596	
Highway Revenue Bonds	813,768,760	-	65,745,896	748,022,864	66,270,000	681,752,864	
Indiana Motorsports Commission	78,520,000	-	3,700,000	74,820,000	3,800,000	71,020,000	
	<u>\$ 902,444,323</u>	<u>\$ -</u>	<u>\$ 72,560,439</u>	<u>\$ 829,883,884</u>	<u>\$ 71,649,424</u>	<u>\$ 758,234,460</u>	

Business-Type Activity

	Balance			Balance		Amounts Due	
	July 1, 2020	Increases	Decreases	June 30, 2021	Within One Year	Amount Due Thereafter	
State Fair Fund	\$ 50,259,156	\$ -	\$ 50,259,156	\$ -	\$ -	\$ -	
	<u>\$ 50,259,156</u>	<u>\$ -</u>	<u>\$ 50,259,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
	<u>\$ 952,703,479</u>	<u>\$ -</u>	<u>\$ 122,819,595</u>	<u>\$ 829,883,884</u>	<u>\$ 71,649,424</u>	<u>\$ 758,234,460</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.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 7 - DIRECT FINANCING LEASES (Continued)

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.

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.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 7 - DIRECT FINANCING LEASES (Continued)

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, which occurred on June 16, 2021 when the debt was defeased.

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.

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

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

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.

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 - 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. 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 WIFIA lender with respect to the disbursement of any undisbursed amounts of the WIFIA loan shall immediately be terminated, and unpaid principal amount of the WIFIA 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) WIFIA lender may suspend or debar IFA from further participation in any Government program administered by the WIFIA lender and to notify other departments and agencies of such default.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

At June 30, 2021, 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	Governmental
	Highway Revenue Bonds	Indiana Motorsports Commission	Public Private Partnerships	*Stadium & Convention Center Financing	State Office Building Commission	Notes Payable State Office Building Commission	
Principal:							
June 30, 2022	\$ 66,270,000	\$ 3,800,000	\$ 10,645,000	\$ 12,985,000	\$ 6,780,000	\$ 1,579,424	\$ 102,059,424
June 30, 2023	68,935,000	3,915,000	10,685,000	14,080,000	6,895,000	3,203,855	107,713,855
June 30, 2024	73,570,000	4,040,000	10,740,000	15,240,000	7,030,000	2,247,125	112,867,125
June 30, 2025	77,385,000	4,175,000	10,805,000	16,410,000	7,180,000	10,616	115,965,616
June 30, 2026	81,400,000	4,320,000	10,895,000	17,675,000	7,350,000	-	121,640,000
2027-2031	283,540,000	24,310,000	56,510,000	219,310,000	39,825,000	-	623,495,000
2032-2036	58,715,000	30,260,000	10,075,000	383,200,000	46,610,000	-	528,860,000
2037-2040	13,560,000	-	-	272,715,000	10,355,000	-	296,630,000
	<u>723,375,000</u>	<u>74,820,000</u>	<u>120,355,000</u>	<u>951,615,000</u>	<u>132,025,000</u>	<u>7,041,020</u>	<u>2,009,231,020</u>
Remaining accretion / premium (discount)	24,647,864	-	-	45,391,051	-	-	70,038,915
	<u>\$ 748,022,864</u>	<u>\$ 74,820,000</u>	<u>\$ 120,355,000</u>	<u>\$ 997,006,051</u>	<u>\$ 132,025,000</u>	<u>\$ 7,041,020</u>	<u>\$ 2,079,269,935</u>
Interest:							
June 30, 2022	\$ 35,091,694	\$ 3,091,561	\$ 1,378,530	\$ 45,992,490	\$ 3,899,622	\$ 132,573	\$ 89,586,470
June 30, 2023	31,540,638	2,971,443	1,337,973	45,371,466	3,771,710	87,565	85,080,795
June 30, 2024	27,895,763	2,841,237	1,283,586	45,686,366	3,628,284	26,602	81,361,838
June 30, 2025	24,074,338	2,701,145	1,213,561	45,709,378	3,467,456	94	77,165,972
June 30, 2026	20,054,613	2,548,860	1,124,744	44,859,804	3,290,054	-	71,878,075
2027-2031	49,333,750	9,917,537	3,593,047	202,668,954	13,249,863	-	278,763,151
2032-2036	12,483,250	3,763,673	184,070	121,216,535	6,201,408	-	143,848,936
2037-2040	678,000	-	-	25,116,650	187,633	-	25,982,283
	<u>\$ 201,152,046</u>	<u>\$ 27,835,456</u>	<u>\$ 10,115,511</u>	<u>\$ 576,621,643</u>	<u>\$ 37,696,030</u>	<u>\$ 246,834</u>	<u>\$ 853,667,520</u>
Total Debt Service	<u>\$ 949,174,910</u>	<u>\$ 102,655,456</u>	<u>\$ 130,470,511</u>	<u>\$ 1,573,627,694</u>	<u>\$ 169,721,030</u>	<u>\$ 7,287,854</u>	<u>\$ 2,932,937,455</u>

* Total interest reflects variable rate bond interest payments and net swap payments assuming current interest rates (at June 30, 2021) remain the same in future years.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Business-Type Activities:

	General Obligation		Business-Type Total
	Revenue Bonds Payable	Direct Placement Notes Payable	
	Enterprise	Enterprise	
	State Revolving Loan Fund	State Revolving Loan Fund	
Principal:			
June 30, 2022	\$ 112,970,000	\$ 7,823,100	\$ 120,793,100
June 30, 2023	106,850,000	7,852,900	114,702,900
June 30, 2024	107,755,000	8,060,700	115,815,700
June 30, 2025	101,980,000	6,282,800	108,262,800
June 30, 2026	117,055,000	6,360,400	123,415,400
2027-2031	410,545,000	37,073,700	447,618,700
2032-2036	301,595,000	44,162,700	345,757,700
2037-2040	113,680,000	63,757,000	177,437,000
2041-2045	-	43,984,600	43,984,600
2046-2050	-	32,200,300	32,200,300
2051-2054	-	7,310,700	7,310,700
	<u>1,372,430,000</u>	<u>264,868,900</u>	<u>1,637,298,900</u>
Premium	184,099,423	-	184,099,423
	<u>\$ 1,556,529,423</u>	<u>\$ 264,868,900</u>	<u>\$ 1,821,398,323</u>
Interest:			
June 30, 2022	\$ 68,127,094	\$ 4,062,000	\$ 72,189,094
June 30, 2023	62,637,494	4,575,415	67,212,909
June 30, 2024	57,340,244	4,435,634	61,775,878
June 30, 2025	52,007,619	4,292,153	56,299,772
June 30, 2026	46,932,169	4,180,319	51,112,488
2027-2031	155,572,594	19,078,861	174,651,455
2032-2036	71,134,500	15,511,710	86,646,210
2037-2040	11,799,250	10,872,185	22,671,435
2041-2045	-	5,798,387	5,798,387
2046-2050	-	2,111,390	2,111,390
2051-2054	-	234,050	234,050
	<u>\$ 525,550,964</u>	<u>\$ 75,152,104</u>	<u>\$ 600,703,068</u>
Total Debt Service	<u>\$ 2,082,080,387</u>	<u>\$ 340,021,004</u>	<u>\$ 2,422,101,391</u>

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

	Balance July 1,			Balance at June 30,		Amounts Due	
	2020	Increases	Decreases	2021	Within One Year	Amounts Due Thereafter	
Governmental Activities:							
General obligation revenue bonds	\$ 2,136,252,850	\$ 125,395,000	\$ 189,418,935	\$ 2,072,228,915	\$ 100,480,000	\$ 1,971,748,915	
Direct placement notes payable	139,175,074	-	132,134,054	7,041,020	1,579,424	5,461,596	
Contract payable	632,428,319	-	3,984,637	628,443,682	14,737,085	613,706,597	
Net pension liability	1,618,159	43,964	-	1,662,123	-	1,662,123	
Derivative investment liability	144,363,777	-	34,806,928	109,556,849	-	109,556,849	
	<u>\$ 3,053,838,179</u>	<u>\$ 125,438,964</u>	<u>\$ 360,344,554</u>	<u>\$ 2,818,932,589</u>	<u>\$ 116,796,509</u>	<u>\$ 2,702,136,080</u>	
Business-Type Activities:							
General obligation revenue bonds payable	\$ 1,974,067,796	\$ -	\$ 417,538,373	\$ 1,556,529,423	\$ 112,970,000	\$ 1,443,559,423	
Direct placement notes payable	164,000,000	110,000,000	9,131,100	264,868,900	7,823,100	257,045,800	
Due to federal government	71,429	125,980	-	197,409	125,263	72,146	
Pollution remediation	707,802	-	95,478	612,324	612,324	-	
	<u>\$ 2,138,847,027</u>	<u>\$ 110,125,980</u>	<u>\$ 426,764,951</u>	<u>\$ 1,822,208,056</u>	<u>\$ 121,530,687</u>	<u>\$ 1,700,677,369</u>	

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

The following is a summary of long-term debt outstanding at June 30, 2021, 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%	2022 to 2037	\$9,640,000 to \$92,250,000	\$ 748,022,864
Indianapolis Motor Speedway	2.987% to 4.807%	2022 to 2036	\$3,800,000 to \$6,630,000	74,820,000
State Office Building Commission	1.781% to 3.624%	2022 to 2037	\$7,190,161 to \$10,355,000	139,066,020
Stadium Project	3.070% to 5.411%	2022 to 2037	\$11,820,000 to \$71,910,000	651,363,073
Convention Center Project	2.500% to 6.596%	2022 to 2039	\$1,165,000 to \$93,370,000	345,642,978
Public Private Partnerships	.38% to 1.83%	2022 to 2032	\$10,075,000 to \$11,640,000	120,355,000
				<u>\$ 2,079,269,935</u>
Business-type Activities:				
State Revolving Loan Fund	1.780% to 5.000%	2022 to 2054	\$1,462,400 to \$123,415,400	\$ 1,821,398,323
				<u>\$ 1,821,398,323</u>

Variable rate long-term debt terms are as follows:

Governmental Activities:

<u>Bond Series</u>	<u>Outstanding Principal Amount</u>	<u>Interest Rate (Range)</u>	<u>Notes</u>
Stadium Project 2005A	\$ 238,340,000	.01% to .65%	(1)
Stadium Project 2007A	89,810,000	0.01% to .69%	(1)
Stadium Project 2008A	27,775,000	0.03% to .21%	(2)
Total Variable Rate Debt	<u>\$ 355,925,000</u>		

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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 (the "DP's") in an aggregate amount of \$328,150,000, expiring July 28, 2023 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 .25%.

- (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 \$27,775,000, 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 .08%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A bonds is 2.98%.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

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, 2021, the sub-series has an outstanding balance of \$27,775,000. 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, 2021, the aggregate amount payable on the sub-series will not exceed \$28,112,866.

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.

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, 2021, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2020 ¹	Increase/ (Decrease) ¹	Fair Values at June 30, 2021 ¹	Swap Termination Date
2005/2007 Stadium Project	\$ 328,118,000	8/15/2008	4.231%	SIFMA ²	\$ (134,679,058)	\$ 32,470,453	\$ (102,208,605)	2/1/2037
2008 Stadium Project	\$ 26,815,000	8/15/2008	3.796%	SIFMA ²	(9,684,719)	2,336,475	(7,348,244)	2/1/2035
	<u>\$ 354,933,000</u>				<u>\$ (144,363,777)</u>	<u>\$ 34,806,928</u>	<u>\$ (109,556,849)</u>	

¹ Negative signifies a value in favor of the counterparty.

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

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

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

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.

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, 2021, IFA has recorded a prepaid lease of approximately \$95 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 2022 has been calculated at \$41,170,995 and will be adjusted thereafter annually accordingly as described above. The total net present value of the MAP's is approximately \$628 million, with a current portion of approximate \$15 million.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 9 - CONTRACT PAYABLE ACTIVITY (Continued)

At June 30, 2021, the debt service requirements for contracts payable under governmental activities were as follows:

Governmental Activities:

	Public Private Partnerships	
	Principal*	Interest
June 30, 2022	\$ 14,737,085	\$ 24,390,600
June 30, 2023	14,582,207	24,390,600
June 30, 2024	14,971,547	24,390,600
June 30, 2025	15,338,528	24,390,600
June 30, 2026	15,683,993	24,390,600
2027 - 2031	82,904,445	121,953,000
2032 - 2036	92,514,550	115,879,375
2037 - 2041	106,775,955	95,478,500
2042 - 2046	121,073,555	64,231,000
2047 - 2051	133,053,624	24,900,544
2052 - 2052	16,808,193	-
	<u>\$ 628,443,682</u>	<u>\$ 544,395,419</u>

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

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, 2021:

Governmental Activities:

- **State Office Building Commission:**
 In May 2021, the Authority legally cash defeased Facilities Revenue Bonds from Series 2011A, 2011C, 2012A, 2012B, and 2012C to their respective call dates. The Authority deposited \$66,357,748 with the trustee to fund the escrow to defease a par amount of \$63,475,000 while achieving net present value savings of \$3.7 million.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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

- **Recreational Development Commission:**
In May 2021, the Authority legally cash defeased Revenue Bonds from Series 2012I to their respective call dates. The Authority deposited \$6,545,448 with the trustee to fund the escrow to defease a par amount of \$6,240,000 while achieving net present value savings of \$113,000.

- **State Fair Commission:**
In May 2021, the Authority legally cash defeased Revenue Bonds from Series 2012M and 2020A to their respective call dates. The Authority deposited \$53,009,389 with the trustee to fund the escrow to defease a par amount of \$47,820,000 while achieving net present value savings of \$7 million.

Business-Type Activities:

- **State Revolving Fund Programs:**
In May 2021, the Authority legally cash defeased SRF Bonds from Series 2012C, 2015A, 2016A, 2016D, 2016E, 2017C, 2018A, and 2019E to their respective call dates. The Authority deposited \$206,710,599 with the trustee to fund the escrow to defease a par amount of \$171,310,000 plus additional funds needed until the call dates.

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 2011A, B, and C bonds, which were used to refund certain Series 2002A, 2003A and B bonds. In May 2021, the Authority legally cash defeased Facilities Revenue Bonds from Series 2011A, 2011C, 2012A, 2012B, and 2012C. At June 30, 2021, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$81,035,000.

- **Recreational Development Commission -** In May 2021, the Authority legally cash defeased Facilities Revenue Bonds from Series 2012I. At June 30, 2021, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$6,240,000.

- **State Fair Commission -** In May 2021, the Authority legally cash defeased Facilities Revenue Bonds from Series 2012M and 2020A. At June 30, 2021, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$47,820,000.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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

Business-Type Activities:

- **State Revolving Fund** - In November 2017, IFA issued Refunding Bonds, which were used to refund portions of the Series 2010B, 2011A, and 2012B bonds. In May 2021, the Authority legally cash defeased Facilities Revenue Bonds from Series 2011A, 2011C, 2012A, 2012B, and 2012C. At June 30, 2021, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$358,395,000.

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, 2021, IFA has outstanding conduit debt of \$13 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 April 2031. The future total minimum rental payments, totaling approximately \$2,699,000 range from \$247,000 to \$289,000 per year from 2022 through 2031. Rental expense for the operating lease was approximately \$201,000 for the year ended June 30, 2021.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 11 - OPERATING LEASE COMMITMENTS (Continued)

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, 2021, lease revenue of approximately \$83 million was recognized.

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, \$300 million in fiscal year 2020 and \$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, 2020, and 2021 were transferred to INDOT's Major Moves Fund. 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.

**INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021**

NOTE 11 - OPERATING LEASE COMMITMENTS (Continued)

The unamortized portion of this revenue (in thousands) will be recognized as follows for the fiscal years ending June 30:

2022	\$ 65,368
2023	65,368
2024	65,368
2025	65,368
2026	65,368
2027 - 2031	326,838
2032 - 2036	326,838
2037 - 2041	326,838
2042 - 2046	326,838
2047 - 2051	326,838
2052 - 2056	326,838
2057 - 2061	326,838
2062 - 2066	326,838
2067 - 2071	326,838
2072 - 2076	326,838
2077 - 2081	<u>324,786</u>
Total	<u>\$ 3,920,006</u>

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, 2021, as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds:		
General Fund	\$ 589,731	\$ -
Transportation Finance General	-	50,519
Public Private Partnerships	-	21,965
State Office Building Commission	-	72,484
Special Revenue Funds:		
Conduit Debt General Program Fund	-	24,161
Environmental Remediation Revolving Loan Fund	-	123,560
Enterprise Funds:		
State Revolving Fund	-	334,489
Supplemental Fund	65,218	-
Indiana Health and Education Facility Finance Authority	<u>-</u>	<u>27,771</u>
	<u>\$ 654,949</u>	<u>\$ 654,949</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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 \$612,000 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.

NOTE 14 - BENEFIT PLANS

Plan Description

IFA is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

Public Employees' Defined Benefit Account

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

Eligibility for Pension Benefit Payment

Full Retirement Benefit: A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit: A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 14 - BENEFIT PLANS (Continued)

Disability Benefit: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

Survivor Benefit: If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

Contribution Rates

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. No member contributions are required. IFA's contributions to PERF DB were \$342,434 for the year ended June 30, 2021.

Benefit Formula and Postretirement Benefit Adjustment

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. IFA made no contributions to PERF DC for the year ended June 30, 2021. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 14 - BENEFIT PLANS (Continued)

Benefit Terms

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member's qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

Significant Actuarial Assumptions

The total pension liability is determined using an actuarial valuation performed by the actuaries of INPRS, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

INPRS completed an actuarial experience study in February 2020. Assumption changes were recommended to the INPRS Board and adopted in June 2020 for the June 30, 2020 actuarial valuations. Assumptions related to mortality rates were increased, retirement rates were decreased, and future salary increases were increased from the prior measurement date. No changes in methods were recommended or adopted.

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

Asset valuation date:	June 30, 2020
Liability valuation date and method:	June 30, 2019 - Member census data as of June 30, 2019 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 14 - BENEFIT PLANS (Continued)

Investment rate of return:	6.75%	
COLA:	2020 - 2021 - 13 th check	
	Beginning January 1, 2022 - 0.40%	
	Beginning January 1, 2034 - 0.50%	
	Beginning January 1, 2039 - 0.60%	
Future salary increases, including inflation:	2.75% - 8.75%	
Inflation:	2.25%	
Mortality - Healthy Employees and Retirees:	Base Table M/F Set Forward	PubG-2020 +3/+1
Mortality - Disabled:	Base Table Load	PubG-2010 140%
Mortality - Beneficiaries:	Base Table M/F Set Forward	PubCS-2020 +0/+2
Mortality - Improvement - All Tables:	Generational Improvement Scale - MP-2019	

The long-term return expectation 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. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. 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.

**INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021**

NOTE 14 - BENEFIT PLANS (Continued)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Geometric Basis Long-term Expected Real Rate of Return
Public equity	22.0%	4.4%
Private equity	14.0%	7.6%
Fixed income - Ex inflation-linked	20.0%	1.9%
Fixed income - Inflation-linked	7.0%	0.5%
Commodities	8.0%	1.6%
Real estate	7.0%	5.8%
Absolute return	10.0%	2.9%
Risk parity	12.0%	5.5%

The 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 calculated using the current discount rate of 6.75%, as well as what the 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 as of June 30, 2021:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
<u>\$2,709,826</u>	<u>\$1,662,123</u>	<u>\$784,587</u>

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

At June 30, 2021, IFA reported a liability of \$1,662,123 for its proportionate share of the net pension liability. IFA's proportionate share of the net pension liability was based on the IFA's wages as a proportion of total wages for PERF Hybrid. The proportionate share used at the June 30, 2020, measurement date was 0.05503%.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

NOTE 14 - BENEFIT PLANS (Continued)

For the year ended June 30, 2021, IFA recognized pension expense of \$194,427, which includes expenses from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$133,858. At June 30, 2021, IFA reported deferred outflows of resources and deferred inflows of resources related to PERF DB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,448	\$ 22,316
Net differences between projected and actual earnings on pension plan investments	142,251	
Changes of assumptions		346,317
Changes in proportion and differences between IFA's contributions and proportionate share of contributions	<u>173,724</u>	<u>3,261</u>
Total that will be recognized in pension expense based on table below	345,423	371,894
Pension contribution subsequent to measurement date	<u>342,434</u>	<u> </u>
Total	<u>\$687,857</u>	<u>\$371,894</u>

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$(108,451)
2023	(1,789)
2024	23,342
2025	<u>60,427</u>
	<u>\$ (26,471)</u>

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2021

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 saw a reduction in toll revenues from a decrease in commuter activity, but no other 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, 2021.

Governmental Activities

On July 7, 2021, IFA issued 2021A SRF Program Bonds for the aggregate amount of \$81.6 million, maturing from February 1, 2022 to February 1, 2032, at interest rate of 5%. Of this, \$70.3 million was allocated to the WSRF Program and \$11.3 million was allocated to the DWSRF Program.

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, 2021

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.

	<u>Budget</u> <u>Total</u>	<u>Actual</u> <u>Total</u>	<u>Difference</u>
Revenue			
Lease rental income (Note 1)	\$ 205,138,197	\$ 326,372,051	\$ 121,233,854
Appropriations (Note 2)	2,500,000	22,500,000	20,000,000
Investment income (Note 3)	7,851,780	1,799,884	(6,051,896)
Program service, advisory and fees	2,703,748	3,212,047	508,299
Borrower interest payments (Note 4)	65,174,720	78,342,476	13,167,756
Toll revenues (Note 5)	49,331,064	71,529,302	22,198,238
Grants (Note 6)	<u>62,631,540</u>	<u>352,330,854</u>	<u>289,699,314</u>
Total revenues	<u>395,331,049</u>	<u>856,086,614</u>	<u>460,755,565</u>
Debt service			
Interest (Note 7)	208,433,876	211,561,964	(3,128,088)
Principal (Note 8)	<u>166,770,000</u>	<u>455,615,000</u>	<u>(288,845,000)</u>
Total debt service	<u>375,203,876</u>	<u>667,176,964</u>	<u>(291,973,088)</u>
Program expenses			
Grants, loans and other program (Note 9)	<u>39,710,291</u>	<u>356,930,014</u>	<u>(317,219,723)</u>
Total program expenses	<u>39,710,291</u>	<u>356,930,014</u>	<u>(317,219,723)</u>
Administrative expenses			
Personal services	4,839,385	4,323,571	515,814
Other IFA operations (Note 10)	<u>7,287,690</u>	<u>10,470,738</u>	<u>(3,183,048)</u>
Total administrative expenses	<u>12,127,075</u>	<u>14,794,309</u>	<u>(2,667,234)</u>
Net revenues over expenses	<u>\$ (31,710,193)</u>	<u>\$ (182,814,673)</u>	<u>\$ (151,104,480)</u>

(Continued)

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET - CASH BASIS (UNAUDITED)
For the year ended June 30, 2021

Explanation for budget to actual difference

Note 1: Supplemental income for defeasance

Note 2: New Program, Water Infrastructure Assistance Fund

Note 3: Lower earnings

Note 4: New loans and prepayments

Note 5: More tolls than anticipated

Note 6: Unbudgeted CARES Act funds, over \$314 million

Note 7: Variable rate debt

Note 8: Defeased bonds

Note 9: CARES Act grants, over \$314 million

Note 10: Defeasance expenses

INDIANA FINANCE AUTHORITY
INDIANA TOLL ROAD INFRASTRUCTURE CONDITION RATING (UNAUDITED)
For the year ended June 30, 2021

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>2020</u>	<u>2019</u>	<u>2018</u>
Interstate Roads	92.8%	88.8%	91.1%

	<u>Percentage of Lane Miles in Substandard Condition</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Interstate Roads	7.2%	11.2%	8.9%

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	87.2%	87.6%	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*

	2020	2019	2018	2017	2016	2015	2014	2013
IFA's proportion of the net pension liability	0.05503%	0.04896%	0.04884%	0.04920%	0.04723%	0.04396%	0.03785%	0.03263%
IFA's proportionate share of the net pension liability	\$ 1,662,123	\$ 1,618,159	\$ 1,659,117	\$ 2,195,079	\$ 2,143,507	\$ 1,790,448	\$ 994,673	\$ 1,117,603
IFA's covered payroll	\$ 2,971,066	\$ 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	55.94%	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	81.40%	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.

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 342,434	\$ 332,759	\$ 285,719	\$ 279,129	\$ 273,383	\$ 253,508	\$ 235,802	\$ 206,974	\$ 167,411
Contributions in relation to the contractually required contribution	<u>342,434</u>	<u>332,759</u>	<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	\$ 3,057,446	\$ 2,971,066	\$ 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%	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, 2021

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

Plan Amendments: In 2020, there were no plan amendments.

Assumption Changes: In 2020, an experience study was performed resulting in an update to several assumptions. These assumption changes included a change in mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, dependent spouse assumptions, and future salary increase assumptions. None of these changes were significant to IFA's proportionate share of the net pension liability.

SCHEDULE OF IFA'S CONTRIBUTIONS (UNAUDITED)

Methods Used in Calculating Contributions: Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board may update the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. There have been no changes in the percentage of covered payroll used since 2015.

Trends: There were no factors that significantly affected trends in contributions to the Plan.

PART 4 - OTHER SUPPLEMENTARY INFORMATION

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF NET POSITION
June 30, 2021**

	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	\$ 382,926,246	\$ 9,496	\$ 434	\$ 37,618,335	\$ 199,694,343	\$ 5,243,702	\$ 53,622,230	\$ 123,704,782	\$ 28,343,968
Capital and infrastructure assets	105,791	-	-	579,653,719	125,873,728	-	1,096,486,868	-	-
Noncurrent assets	2,989,255,055	-	-	-	5,461,596	71,020,000	92,977,232	681,752,864	933,141,006
Total Assets	<u>3,372,287,092</u>	<u>9,496</u>	<u>434</u>	<u>617,272,054</u>	<u>331,029,667</u>	<u>76,263,702</u>	<u>1,243,086,330</u>	<u>805,457,646</u>	<u>961,484,974</u>
Deferred Outflows of Resources									
Deferred swap termination	-	-	-	-	-	-	-	-	50,236,283
Loss on debt refunding	7,967,457	-	-	-	-	-	7,638	8,010,534	643,763
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	-	-	-	-	109,556,849
Total deferred outflows of resources	<u>7,967,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,638</u>	<u>8,010,534</u>	<u>160,436,895</u>
Liabilities									
Current liabilities	30,478,505	-	-	2,659,595	115,893,489	1,443,702	45,015,542	3,058,412	15,358,969
Long term debt, including current portions	1,821,398,323	-	-	-	139,066,020	74,820,000	734,061,597	748,022,864	997,006,051
Other noncurrent liabilities	72,146	-	-	-	-	-	-	-	109,556,849
Total Liabilities	<u>1,851,948,974</u>	<u>-</u>	<u>-</u>	<u>2,659,595</u>	<u>254,959,509</u>	<u>76,263,702</u>	<u>779,077,139</u>	<u>751,081,276</u>	<u>1,121,921,869</u>
Deferred Inflows of Resources									
Advanced payment for service concession agreement	-	-	-	3,920,005,589	-	-	-	-	-
Unearned service concession arrangement receipts	-	-	-	264,957,437	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,184,963,026</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position									
Net investment in capital assets	105,791	-	-	314,696,282	(5,953,198)	-	442,861,968	-	-
Unrestricted	-	9,496	-	(3,885,046,849)	50,360,639	-	-	8,178,044	-
Restricted	1,528,199,784	-	434	-	31,662,717	-	21,154,861	54,208,860	-
Total Net Position	<u>\$ 1,528,305,575</u>	<u>\$ 9,496</u>	<u>\$ 434</u>	<u>\$ (3,570,350,567)</u>	<u>\$ 76,070,158</u>	<u>\$ -</u>	<u>\$ 464,016,829</u>	<u>\$ 62,386,904</u>	<u>\$ -</u>

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2021

	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	\$ -	\$ 6,699,572	\$ 3,526,967	\$ 73,589,060	\$ 83,256,459	\$ 3,152,441	\$ 70,434,613	\$ 37,861,573	\$ 47,851,366
Interest on loans	78,105,854	-	-	-	-	-	-	-	-
Other	1,422,600	560,667	-	4,352,132	8,755,098	-	71,536,940	2,890,895	4,188,267
Total Operating Revenues	79,528,454	7,260,239	3,526,967	77,941,192	92,011,557	3,152,441	141,971,553	40,752,468	52,039,633
Operating Expenses									
IFA operations	4,151,445	449,798	7,299,461	96,044	3,783,467	-	27,060,684	165,363	959,743
Interest expense	59,887,506	339,202	1,249,613	-	7,224,929	3,152,441	26,178,176	40,320,813	51,079,890
Depreciation and bond issuance costs	461	1,365,978	(18,396)	-	11,138,013	-	854,439	-	-
Total Operating Expenses	64,039,412	2,154,978	8,530,678	96,044	22,146,409	3,152,441	54,093,299	40,486,176	52,039,633
Operating Income (Loss)	15,489,042	5,105,261	(5,003,711)	77,845,148	69,865,148	-	87,878,254	266,292	-
Nonoperating Revenues (Expenses)									
Investment earnings, net	1,276,710	(1,407)	1,082	13,247	31,382	-	(22,442)	5,621	-
Distribution to primary government	-	(19,984,484)	-	(308,062,719)	(294,907,433)	-	-	-	-
Total nonoperating revenues (expenses)	1,276,710	(19,985,891)	1,082	(308,049,472)	(294,876,051)	-	(22,442)	5,621	-
Income (loss) Before Capital Contributions and Transfe	16,765,752	(14,880,630)	(5,002,629)	(230,204,324)	(225,010,903)	-	87,855,812	271,913	-
Capital contributions	31,124,389	-	-	-	-	-	-	-	-
Loan forgiveness	(23,728,517)	-	-	-	-	-	-	-	-
Transfer in (out)	(474,271)	(15,495)	(180,313)	(212,522)	195,808	-	-	(281,715)	-
Change in Net Position	23,687,353	(14,896,125)	(5,182,942)	(230,416,846)	(224,815,095)	-	87,855,812	(9,802)	-
Net Position - Beginning of year	1,504,618,222	14,905,621	5,183,376	(3,339,933,721)	300,885,253	-	376,161,017	62,396,706	-
Net Position - End of year	\$ 1,528,305,575	\$ 9,496	\$ 434	\$ (3,570,350,567)	\$ 76,070,158	\$ -	\$ 464,016,829	\$ 62,386,904	\$ -

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021**

	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	\$ (3,276,086)	\$ (13,189,538)	\$ (780,126)	\$ (236,712)	\$ (176,829,081)	\$ 3,198,116	\$ 138,638,268	\$ 40,194,033	\$ 51,223,098
Investing activities	82,918,071	19,983,080	50,422,244	413,118	247,168,912	-	(22,431)	8,570	11,855,000
Non-capital financing activities	(319,317,303)	-	-	-	-	-	-	-	-
Capital and related financing activities	7,460,693	(10,107,104)	(52,706,213)	-	(101,957,834)	(3,198,116)	(117,090,013)	(38,508,849)	(63,078,098)
Net Increase (Decrease) in Cash and Short-term Investments	(232,214,625)	(3,313,562)	(3,064,095)	176,406	(31,618,003)	-	21,525,824	1,693,754	-
Cash and Short-term Investments									
Beginning of Year	439,146,794	3,323,057	3,064,095	35,394,072	228,537,682	-	17,854,074	55,739,873	-
End of Year	<u>\$ 206,932,169</u>	<u>\$ 9,495</u>	<u>\$ -</u>	<u>\$ 35,570,478</u>	<u>\$ 196,919,679</u>	<u>\$ -</u>	<u>\$ 39,379,898</u>	<u>\$ 57,433,627</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, 2021, 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 14, 2021.

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 14, 2021

INDIANA FINANCE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND INDEPENDENT AUDITORS' REPORTS

June 30, 2021

*Independent Auditors' Report on Compliance For Each Major Federal Program and
on Internal Control Over Compliance and Schedule of Expenditures of Federal Awards
as Required by the 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 *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, 2021. 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, 2021.

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, a component unit of the State of Indiana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Indiana Finance Authority's basic financial statements. We issued our report thereon dated October 14, 2021, 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
October 14, 2021

INDIANA FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

	Federal Assistance Listing Number	Pass-through Entity Identifying/ 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	\$ 129,019,511	
U.S. DEPARTMENT OF TREASURY					
Passed through Indiana State Budget Agency: COVID-19 - Coronavirus Relief Fund	21.019	Memorandum of Understanding dated 5/21/20	322,087,016	314,460,820	\$ 313,949,005
U.S. ENVIRONMENTAL PROTECTION AGENCY:					
Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds	66.458	CS18000120-0 DA	38,298,000	19,333,047	19,333,047
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548619-0 DF	1,681,900	368,654	
	66.468	FS98548620-0 DA	14,473,800	11,317,071	11,317,071
	66.468	FS98548620-0 DD	673,200	502,426	
	66.468	FS98548620-0 DF	1,683,000	445,501	
	66.468	FS98548621-0 DD	672,600	7,488	
				<u>12,641,140</u>	<u>11,317,071</u>
State and Tribal Response Program Grants	66.817	RP00E14613-0	787,518	326,191	
	66.817	RP00E14614-0	787,518	569,230	
				<u>895,421</u>	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreement	66.818	BF00E48101-D	6,484,204	233,714	233,714
Multipurpose Grants to States and Tribes	66.204	AA00E02780-0	71,865	49,647	49,647
Lead Testing in School and Child Care Program Drinking Water (SDWA 146(d))	66.444	M100E02762-0	1,168,000	528,800	
Water Infrastructure Finance and Innovation (WIFIA)	66.958	WIFIA-2019-N17114IN	436,000,000	<u>274,000,000</u>	<u>274,000,000</u>
				<u>\$ 751,162,100</u>	<u>\$ 618,882,484</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, 2021

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, 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). The loan agreements for TIFIA and WIFIA provide for continuing compliance requirements through debt maturity or repayment, 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, 2020. During fiscal year 2021 the TIFIA loan was repaid in full.

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, 2021. WIFIA expenditures were \$110,000,000 during fiscal year 2021. The WIFIA loan balance outstanding was \$274,000,000 as of June 30, 2021.

INDIANA FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

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

INDIANA FINANCE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2021**

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