ihcda

Indiana Housing & Community Development Authority

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

Held: April 23, 2015

A regular meeting of the Board of Directors of the Indiana Housing and Community Development Authority ("IHCDA" or "Authority") was held April 23, 2015 at 10:00 a.m. at 30 South Meridian Street, Suite 1000, Indianapolis, Indiana 46204.

The following individuals were present at the meeting: Tonya Brothers-Bridge (Lieutenant Governor delegate), Mark Pascarella (Public Finance Director of the State of Indiana delegate), Kelly Mitchell (Treasurer of the State of Indiana), David Miller, Lu Porter, Jacob Sipe (Executive Director for IHCDA), members of the staff of the Authority, and the general public. Tom McGowan was not present.

Tonya Brothers-Bridge served as Chair of the meeting, and upon noting the presence of a quorum, called the meeting to order. Sondra Craig served as Secretary.

I. Approval of Minutes

A. Meeting Minutes

A motion was made by Lu Porter to approve the March 26, 2015 Meeting Minutes, which was seconded by Kelly Miller; the following Resolution was unanimously approved:

> **RESOLVED**, the Minutes of the Board meeting held March 26, 2015 are hereby approved to be placed in the Minute Book of the Authority.

II. Real Estate

Chairman Brothers-Bridge recognized Darin Edwards who presented information regarding 2015 Stellar Communities Finalists Planning Grants.

A. 2015 Stellar Communities Finalists Planning Grants

On January 30, 3015, the Stellar Communities Program team[1] issued a "Call for Letters of Interest" for the 2015 Stellar Communities Program. By the March 16th deadline, thirteen communities had submitted letters of interest. Following the Program team's evaluation of the Letters of Interest, the team announced five finalists on April 7th. On April 7, 2015, the State Partners announced five (5) finalists to submit Strategic Investment Plans ("SIP"). Upcoming key dates for the Stellar Communities project are as follows:

• Strategic Investment Plans due	June 30, 2015
• Site visits and evaluations	July 20 – July 31, 2015
• Designation announcements	August 2015 (at the State Fair)
• Community celebrations	September 2015
• Kick-off meetings	October 2015

[1] Indiana's Stellar Communities Program is a collaborative effort between INDOT, IHCDA, OCRA, OSBE, ISDH, IFA, IOTD, Serve Indiana and IDNR.

To aid in the preparation of a Strategic Investment Plan - which is the next key date - IHCDA recommends awarding Development Fund grants to the following finalists in the amounts listed:

GRANT #	CITY	COUNTY	AMOUNT
DFG-015-190	Crawfordsville	Montgomery	$10,000.00
DFG-015-191	Decatur*	Adams	$5,000.00
DFG-015-192	Dunkirk	Jay	$10,000.00
DFG-015-193	Marion*	Grant	$5,000.00
DFG-015-194	North Liberty	St. Joseph	$10,000.00
		TOTAL	**$40,000.00**

*Repeat Finalist, Received $10,000 Planning Grant in Prior Year

The Strategic Investment Plan (SIP) is a multi-year plan produced by the finalist as a local unit of government along with their community partners to identify and plan capital improvement projects.

Following discussion, a motion was made by David Miller to approve an aggregate award of Development Fund grants in an amount not to exceed $40,000.00 in the amounts noted to the five above-listed communities, as recommended by staff, which was seconded by Kelly Miller; the motion passed unanimously:

> **RESOLVED**, that the Board approve an aggregate award of Development Fund grants in an amount not to exceed $40,000.00 in the amounts noted to the five above-listed communities, as recommended by staff.

III. Asset Preservation

A. Blight Elimination Program – Recommendations for Unallocated Funds

Chairman Brothers-Bridge recognized Rayanna Binder who presented information regarding Blight Elimination Program – Recommendations for Unallocated Funds.

IHCDA divided the State into six funding divisions for Blight Elimination Program ("BEP") purposes, and made a pool of BEP funds available to each Division based on the percentage of the State's population within each Division. The total amount of funding available the BEP was $75,000,000.00. $68,545,500 in BEP funding has been allocated, as indicated by the following timelines:

Division One

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$16,192,500	$16,192,500
May 22, 2014	Approved Round One Awards	-$16,113,000	$79,500
November 20, 2014	Transfer of Division Two Funds For Waivers	+706,500	$786,000

Division Two

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$10,447,500	$10,447,500
June 26, 2014	Approved Round One Awards Second Funding Round Approved	-$6,320,000	$4,127,500
November 20, 2014	Approved Round Two Awards	-$2,921,000	$1,206,500
November 20, 2014	Approved Transfer to Division One for Waivers	-$706,500	$500,000
November 20, 2014	Approved $500,000 for Waivers	-$500,000	$0.00
November 20, 2014	Division Closed		

Division Three

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$19,897,500	$19,897,500
July 24, 2014	Approved Round One Awards Second Funding Round Approved	-$11,468,000	$8,429,500
December 18, 2014	Approved Round Two Awards	-$4,029,000	$4,400,500
December 18, 2014	Approved Transfer to Division Four	-$2,220,000	$2,180,500

Division Four

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$8,737,500	$8,737,500
August 28, 2014	Approved Round One Awards Second Funding Round Approved	-$6,518,000	$2,219,500
December 18, 2014	Approved Transfer of Division Three funds to Division Four	+2,220,000	$4,439,500
January 22, 2015	Approved Round Two Awards	-$4,303,000	$136,500
January 22, 2015	Approved $136,500 for Waivers	-$136,500	$0.00
January 22, 2015	Division Closed		

Division Five

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$13,987,500	$13,987,500
October 23, 2014	Approved Round One Awards Second Funding Round Approved	-$8,268,000	$5,719,500
February 26, 2015	Approved Round Two Awards	-$1,576,000	$4,143,500
February 26, 2015	Approved $500,000 for Waivers	-$500,000	$3,643,500

Division Six

Date	Board Action	Impact on Funding	Funds Available
February 20, 2014	Approved funding allocation	+$5,737,500	$5,737,500
October 23, 2014	Approved Round One Awards Second Funding Round Approved	-$3,720,000	$2,017,500
February 26, 2015	Approved Round Two Awards	-$887,000	$1,130,500
February 26, 2015	Approved $500,000 for Waivers	-$500,000	$630,500

Summary of All Divisions

Division	Funds Available	Purpose	Reservation for Waivers	Funds Available to Transfer
One	$786,000	Reserved for Waivers	N/A	$0.00
Two	$500,000	Reserved for Waivers	N/A	$0.00
Three	$2,180,500	Unallocated	None	$2,180,500
Four	$136,500	Reserved for Waivers	N/A	$0.00
Five	$3,643,500	Unallocated	N/A	$3,643,500
Six	$630,500	Unallocated	N/A	$630,500
			TOTAL REMAINING UNALLOCATED:	**$6,454,500**

Recommendation
A total of $6,454,500 in unallocated funding remains in BEP. Staff recommends transferring a portion of the funds to Divisions Three and Four to provide those two Divisions with waiver funding available to other BEP Divisions. This would provide:

- $500,000 to Division Three; and
- $363,500 to Division Four (combined with existing $136,500 in current allocation available)

With the $5,591,000 balance of remaining BEP funds, staff recommends the transfer to Division One. Division One is the only Division to exhaust its funding in the first funding round, and recipients have expressed an interest in additional BEP funding to support ongoing efforts in their communities. If approved, IHCDA projects an application due date of August 3, 2015 for Division One, Round Two.

Following discussion, a motion was made by Lu Porter to approve the allocation of $500,000 to Division Three for waivers and cost overrides, as recommended by staff, which was seconded by Mark Pascarella; the motion passed unanimously:

> **RESOLVED**, that the Board approve the allocation of $500,000 to Division Three for waivers and cost overrides, as recommended by staff.

Following discussion, a motion was made by Lu Porter to approve the allocation of $363,500 to Division Four for waivers and cost overrides, as recommended by staff, which was seconded by Kelly Miller; the motion passed unanimously:

> **RESOLVED**, that the Board approve the allocation of $363,500 to Division Four for waivers and cost overrides, as recommended by staff.

Following discussion, a motion was made by Lu Porter to approve the transfer of the remaining $5,591,000 to Division One for a second BEP funding round, as recommended by staff, which was seconded by Mark Pascarella; the motion passed unanimously:

> **RESOLVED**, that the Board approve the transfer of the remaining $5,591,000 to Division One for a second BEP funding round, as recommended by staff.

IV. Executive

A. Audit Report

Chairman Brothers-Bridge recognized Mark Pascarella who presented information regarding 2014 IHCDA Audit.

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

Process
On April 15, 2015, the IHCDA Audit Committee met with representatives of the Authority's auditing firm, Katz, Sapper & Miller, and IHCDA staff to discuss the results of the December 31, 2014 Financial Statement Audit. Items discussed included: the audit letter, financial statements, schedule of expenditures of federal awards, compliance findings resulting from the OMB Circular A-133 compliance audit, management responses to the findings, the management comment letter, and the auditors' opinions. Copies of these documents are attached hereto as **Exhibit A.**

Following discussion, a motion was made by Mark Pascarella to approve the December 31, 2014 IHCDA Financial Statement Audit, as recommended by the Audit Committee and staff, which was seconded by David Miller; the motion passed unanimously:

> **RESOLVED**, that the Board approve the December 31, 2014 IHCDA Financial Statement Audit, as recommended by the Audit Committee and staff.

Following discussion, a motion was made by Mark Pascarella to approve the December 31, 2014 report and finding of the OMB Circular A-133 compliance audit, as recommended by the Audit Committee and staff, which was seconded by Lu Porter; the motion passed unanimously:

> **RESOLVED**, that the Board approve the December 31, 2014 report and finding of the OMB Circular A-133 compliance audit, as recommended by the Audit Committee and staff.

B. Update to the Board – Continuous Improvement

Chairman Brothers-Bridge recognized Blake Blanch who presented information regarding Update to the Board – Continuous Improvement.

No action was required as this was an update to the Board.

C. Executive Update

Chairman Brothers-Bridge recognized Jake Sipe who presented the Executive Update.

Jake spoke to the Board on the following items:

1. Fair Housing Month – April: IHCDA has been involved in multiple events throughout the month.
2. Attendance at a BEP event in East Chicago.
3. My Community, My Vision: The program has wrapped up its first year. IHCDA is planning to do the program again next year.
4. Upcoming Stellar Workshop.
5. The first draft of the QAP will be available in May. The QAP will be posted for two comment rounds with plans to present it to the Board in July and to the Governor for signature.
6. Lincoln Hills Development Corporation presented IHCDA an award for being an outstanding partner.

No action was required as this was an update to the Board.

V. Other Business

There being no further business a motion was made by Mark Pascarella to adjourn the meeting and the meeting was adjourned at 10:55 a.m.

Respectfully submitted,

Tonya Brothers-Bridge

Tonya Brothers-Bridge as designee of
Lieutenant Governor, Sue Ellspermann

ATTEST:

J. Jacob Sipe
Executive Director for IHCDA

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Indiana Housing & Community Development Authority

April 23, 2015

Katz, Sapper & Miller, LLP
Indianapolis, Indiana

This representation letter is provided in connection with your audit of the financial statements of Indiana Housing and Community Development Authority (the Authority) which comprise the respective statement of financial position of the business-type activities and each major fund as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States and as to whether the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

We confirm, to the best of our knowledge and belief, as of April 23, 2015, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 10, 2014, including our responsibility for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and other supplementary information.

2. The financial statements are fairly presented in conformity with accounting principles generally accepted in the United States and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States to be included in the financial reporting entity.

Exhibit A

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. Moreover, the measurement process used by management in determining accounting estimates was appropriate and consistent, the assumptions appropriately reflect management's intent and ability to carry out specific courses of action, the disclosures related to accounting estimates are complete and appropriate, and no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

6. Related party relationships and transactions, including revenues, expenditure expenses, loans, transfers, leasing arrangements, and guarantees, and accounts receivable from or payable to related parties, have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States.

7. All events subsequent to the date of the financial statements and through the date of this letter, and for which accounting principles generally accepted in the United States require adjustment or disclosure in the financial statements or in the schedule of findings and questioned costs, have been adjusted or disclosed.

8. We are in agreement with the adjusting journal entries, if any, you have proposed, and they have been posted to the Authority's accounts.

9. The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States.

10. Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States.

11. Guarantees, whether written or oral, under which the Authority is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States.

12. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

13. The financial statements properly classify all funds and activities.

14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements, and Management's Discussion and Analysis, for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements, and Management's Discussion and Analysis, for State and Local Governments: Omnibus*, as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

15. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

16. Provisions for uncollectible receivables have been properly identified and recorded.

17. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.

18. Revenues are appropriately classified in the statement of revenues, expenses and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

19. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.

20. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

21. Capital assets are properly capitalized, reported, and, if applicable, depreciated.

22. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is

available and have determined that net position is properly recognized under the policy.

23. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

24. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.

25. With regard to the fair value measurements and disclosures, we believe that the measurement methods, including related assumptions, used in determining fair values were appropriate and were consistently applied in accordance with accounting principles generally accepted in the United States; the completeness and adequacy of the disclosures are in accordance with accounting principles generally accepted in the United States; and no subsequent events have occurred requiring adjustment to the fair value measurements and disclosures included in the financial statements.

26. Derivatives instruments have been properly reported at fair value on the statement of net position. Derivative instruments reported as deferred inflows and outflows meet the criteria for hedging instruments. Changes in fair value of ineffective derivative instruments are reported on the statement of revenue, expenses and changes in net position in the period of change.

Information Provided

1. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports received from funding sources. Among other things, relevant information includes all minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes were not prepared. In addition, relevant information includes all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, the schedule of expenditures of federal awards and other supplementary information.

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

4. We have no knowledge of any fraud or suspected fraud that affects the Authority and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing the financial statements.

7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

8. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware.

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

10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

12. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

14. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

15. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

16. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial stat significant to the audit objectives.

17. Except as made known to you, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

18. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

19. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

20. Tax-exempt bonds issued have retained their tax-exempt status.

21. With respect to federal award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    b. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    c. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

f. We have received no requests from a federal agency to audit one or more specific programs as a major program.

g. Except for noncompliance disclosed to you, we have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.

h. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

i. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

j. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

l. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

m. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

n. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

o. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

q. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

r. We have monitored sub-recipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

s. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of sub-recipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that sub-recipients have taken the appropriate and timely corrective action on findings.

t. We have considered the results of sub-recipient audits and have made any necessary adjustments to our books and records.

u. We have charged costs to federal awards in accordance with applicable cost principles.

v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

w. We are responsible for the auditee certification and the submission of the Data Collection Form as required by OMB Circular A-133.

x. We are responsible for preparing and implementing a corrective action plan for each audit finding.

y. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

22. We acknowledge our responsibility for presenting the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior year. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the RSI.

23. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

24. We will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

25. In regards to the drafting of the Federal Audit Clearinghouse data collection form by you, we have –

    a. Assumed all management functions.

    b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

26. We have responded fully and truthfully to all inquiries made to us by you during your audit.

Jacob Sipe, Executive Director

Blake Blanch, Chief Financial Officer

Vinya Dunbar

Vinya Dunbar, Director of Accounting

Board of Directors
Indiana Housing and Community Development Authority

In planning and performing our audit of the financial statements of the Indiana Housing and Community Development Authority (the Authority) as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States, we considered the Authority's internal control over financial reporting 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting. We also considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

During our audit, we noted the following matters involving internal control that are of less magnitude than a significant deficiency in internal control, and other operational matters for your consideration:

<u>IT Environment</u>

- ***System Access Reviews***

  Periodic access reviews are not conducted regularly within the Authority. Periodic access reviews help to reduce the risk of unauthorized personnel having access to the Authority's systems and applications, as well as reducing the risk that current personnel have unauthorized access rights.

  We recommend that periodic reviews should be conducted and documented at least annually in order to determine that user access levels are applicable to job responsibilities and to ensure that all terminated user access has been removed.

Accounting Standards Update

- ***Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application***

  In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application* (Statement No. 72). Statement No. 72 is intended to clarify the definition of fair value, provide additional application guidance, and enhance related disclosures. This statement is effective for periods beginning after June 15, 2015. Early application is encouraged.

- ***Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions***

  In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement No. 68), which was subsequently amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* in November, 2013. Statement No. 68 requires government employers to recognize a net pension liability on its financial statements and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. The statement also identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service for defined benefit pension plans. Statement No. 68 also requires additional disclosures in the footnotes to the financial statements and supplementary information related to pensions.

  Effective July 1, 2013, the Public Employees' Retirement Fund (PERF) changed to a cost-sharing plan, making the Authority a cost-sharing employer. Cost-sharing employers are required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for their respective, proportionate shares of collective pension expense and collective deferred outflow of resources and deferred inflows of resources related to pensions.

  This statement is effective for periods beginning after June 15, 2014.

Federal Programs

- ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards***

  Final guidance was issued by the U.S. Office of Management and Budget on December 26, 2013, which streamlines the Federal government's requirements from eight existing OMB circulars into one document, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The objectives of the guidance are to ease administrative burden and strengthen oversight over Federal funds to reduce risks of waste, fraud, and abuse.

The consolidated guidance eliminates duplicative and conflicting provisions, includes provisions which focus on performance over compliance, and encourages efficient use of information technology. Also, policies related to direct and indirect costs were updated to provide more consistent and transparent treatment, and language was strengthened in certain items of cost. The guidance includes a section of standard definitions of terms used throughout the final guidance and throughout many approved Federal information collections used to manage Federal awards. Finally, several provisions in the final guidance target Single Audit requirements. The revisions to the Single Audit requirements are intended to strengthen oversight and focus audits where there is the greatest risk of fraud, abuse, and waste in Federal awards.

For non-Federal agencies, the guidance was effective as implementation policies are provided by the applicable Federal agency and no later than December 26, 2014 for awards or funding increments after the implementation date. Guidance related to audit requirements is effective for years beginning after December 26, 2014.

As a recipient of Federal awards, management of the Authority should review the final guidance to ensure compliance with Federal award requirements.

Our comments and recommendations regarding these control and operational matters, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing our recommendations to the extent our independence is not impaired.

This communication is intended solely for the information and use of the Authority's Audit Committee, Board of Directors, and management and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 23, 2015

Indiana Housing & Community Development Authority

A COMPONENT UNIT OF THE STATE OF INDIANA

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2014

KATZ SAPPER & MILLER

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

CONTENTS

KATZ SAPPER & MILLER

Our People: Your Success

Independent Auditors' Report

Board of Directors
Indiana Housing and Community Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Indiana Housing and Community Development Authority, a component unit of the State of Indiana, as of December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 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.

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An Affiliate of
KSM Business Services, Inc.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Indiana Housing and Community Development Authority as of December 31, 2014, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2015, on our consideration of Indiana Housing and Community Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Indiana Housing and Community Development Authority's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 23, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2014

Management's discussion and analysis (MD&A) of the Indiana Housing and Community Development Authority's (the "Authority") financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2014. This information is being presented to provide additional information regarding the activities of the Authority. The MD&A should be read in conjunction with the independent auditors' report, financial statements and accompanying notes. Notes to the financial statements provide additional information that is essential to a full understanding of the information contained within the financial statements.

Introduction – The Indiana Housing and Community Development Authority

The Authority was created in 1978 as a public body corporate and politic of the State of Indiana (the "State"). The Authority is entirely self-supporting and does not draw upon the general taxing authority of the State. The Authority has been given certain powers, including the power to enter into contracts and agreements, acquire, hold and convey property, and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate income. The Authority's funding comes from a variety of sources, including sales of its own securities to private investors, grants from the Federal government, program fees, investment interest earnings and interest earned on loan portfolios.

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

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

Overview of the Financial Statements

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

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

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

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

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended December 31, 2014

2014 Financial Highlights

The following is a comparative analysis between years for the Statement of Net Position at December 31:

Assets	2014 Total	2013 Total	Change	Percentage
Current Assets				
Cash and cash equivalents:				
Unrestricted	$ 56,368,590	$ 54,017,329	$ 2,351,261	4%
Restricted	169,646,913	203,404,839	(33,757,926)	-17%
Accrued interest receivable:				
Investments	917,269	1,113,513	(196,244)	-18%
Investments held against bonds	1,947,099	2,324,416	(377,317)	-16%
Accounts and loans receivable, net	16,154,833	16,567,708	(412,875)	-2%
Other assets	1,947,703	1,949,483	(1,780)	0%
Total current assets	246,982,407	279,377,288	(32,394,881)	-12%
Noncurrent Assets				
Investments:				
Unrestricted	142,193,506	122,292,121	19,901,385	16%
Restricted	23,712,179	34,617,842	(10,905,663)	-32%
Investments held against bonds	578,711,924	653,263,023	(74,551,099)	-11%
Accounts and loans receivable, net	48,417,891	52,251,118	(3,833,227)	-7%
Capital assets, at cost, less accumulated depreciation	2,881,215	2,969,047	(87,832)	-3%
Total noncurrent assets	795,916,715	865,393,151	(69,476,436)	-8%
Total assets	1,042,899,122	1,144,770,439	(101,871,317)	-9%
Deferred Outflows of Resources				
Accumulated decrease in fair value of hedging derivatives	4,388,214	4,999,661	(611,447)	-12%
Deferred refunding costs	4,708,878	5,895,527	(1,186,649)	-20%
Total deferred outflows of resources	9,097,092	10,895,188	(1,798,096)	-17%
Total assets and deferred outflows of resources	$ 1,051,996,214	$ 1,155,665,627	$ (103,669,413)	-9%
Liabilities				
Current Liabilities				
Bonds payable	$ 9,585,000	$ 11,810,000	$ (2,225,000)	-19%
Accrued interest payable	5,671,961	8,580,925	(2,908,964)	-34%
Unearned revenue	60,094,406	49,113,357	10,981,049	22%
Accounts payable and other liabilities	5,164,013	5,468,436	(304,423)	-6%
Total current liabilities	80,515,380	74,972,718	5,542,662	7%
Noncurrent Liabilities				
Bonds payable	541,058,915	682,199,079	(141,140,164)	-21%
Add original issue premium	7,378,074	8,563,961	(1,185,887)	-14%
Less original issue discount	(6,600)	(7,749)	1,149	-15%
Net noncurrent bonds payable	548,430,389	690,755,291	(142,324,902)	-21%
Derivative instrument - interest rate swap	4,388,214	4,999,661	(611,447)	-12%
Other liabilities	485,598	432,830	52,768	12%
Total noncurrent liabilities	553,304,201	696,187,782	(142,883,581)	-21%
Total liabilities	633,819,581	771,160,500	(137,340,919)	-18%
Net Position				
Net investment in capital assets	2,881,215	2,969,047	(87,832)	-3%
Restricted	212,248,776	199,872,547	12,376,229	6%
Unrestricted	203,046,642	181,663,533	21,383,109	12%
Total net position	$ 418,176,633	$ 384,505,127	$ 33,671,506	9%

Total assets and deferred outflows of resources decreased by $103.7 million or 9 percent during 2014 from $1,155.6 million to $1,051.9 million.

Total assets decreased by $101.9 million. Cash and investments decreased by $97.0 million primarily as a result of bond redemptions.

The deferred outflows of resources decreased $1.8 million due to the adjustment in the market value of the 2008 Series A-2 interest rate swap agreement of $.6 million combined with the amortization of the deferred refunding costs of $1.2 million.

Total liabilities decreased $137.3 million. Current liabilities increased $5.6 million while non-current liabilities decreased $142.9 million. The overall decrease in liabilities was primarily comprised of a bonds payable decrease of $144.5 million between years

Total assets and deferred outflows of resources did exceed liabilities by $418.2 million at December 31, 2014.

Operating Analysis

The following is a comparative analysis of the Statement of Changes in Net Position for the years ended December 31:

	2014 Total	2013 Total	Change	Percentage
Operating revenues, gains and losses:				
Interest income				
Investments	$ 13,712,303	$ 11,225,106	$ 2,487,197	22%
Investments held against bonds	25,673,402	32,308,668	(6,635,266)	-21%
Fee income	4,351,611	5,755,996	(1,404,385)	-24%
Program income	372,211,352	378,032,991	(5,821,639)	-2%
Net increase (decrease) in fair value of investments	20,287,811	(49,989,608)	70,277,419	-141%
Other income	802,912	735,883	67,029	9%
Total operating revenues, gains and losses	437,039,391	378,069,036	58,970,355	16%
Operating expenses:				
Investment expense	7,306,881	5,676,576	1,630,305	29%
Interest expense	23,486,846	30,215,725	(6,728,879)	-22%
Issuance costs	380,693	1,324,153	(943,460)	-71%
Program expenses	353,989,821	351,053,862	2,935,959	1%
Arbitrage expense	12,919	13,140	(221)	-2%
General and administrative expenses	18,254,606	21,753,668	(3,499,062)	-16%
Total operating expenses	403,431,766	410,037,124	(6,605,358)	-2%
Operating income (loss)	33,607,625	(31,968,088)	65,575,713	-205%
Transfers from outside sources	63,881		63,881	
Change in net position	33,671,506	(31,968,088)	65,639,594	-205%
Net position, beginning of year	384,505,127	416,473,215	(31,968,088)	-8%
Net position, end of year	$ 418,176,633	$ 384,505,127	$ 33,671,506	9%

	2014 Total	2013 Total	Change	%
Operating income (loss)	$33,607,625	$(31,968,088)	$65,575,713	-205%
Less: Net increase (decrease) in fair value of investments	20,287,811	(49,989,608)	70,277,419	-141%
Change in net position without the GASB No. 31 adjustment	$13,319,814	$18,021,520	$ (4,701,706)	- 26%

In 2014, total operating revenues were $437.0 million, which includes federal and state program income of $372.2 million, interest income on investments of $39.4 million, a net increase in the fair value of investments of $20.3 million, and $5.1 million in fee and other income.

The program income totaled $372.2 million in 2014, compared to $378.0 million in 2013. The decrease in revenue of $5.8 million in 2014 is due to the combined impact of the decreases in the funding provided by the Low-Income Home Energy Assistance Program, and the Home Investment Partnerships Program, offset by the increase in Section 8 Housing Assistance Payments Program.

Interest income on investments and fee income represent additional sources of operating revenue for the Authority. Interest income includes investments of $13.7 million and investments held against bonds of $25.7 million for 2014 and $11.2 million and $32.3 million, respectively, for 2013. Both components decreased from 2013 to 2014 by a combined $4.1 million primarily due to changes in interest rates and the reduction in holdings.

Total operating expenses in 2014 were $403.4 million, which includes $353.9 million of direct federal and state program expenses, $23.5 million of interest expense on bonds, $18.3 million of general and administrative expense, $7.3 million in investment expense, and $.4 million of debt issuance costs.

Total operating expenses of the $403.4 million for the current year decreased by $6.6 million compared to the $410.0 million in the prior year. This was primarily due to the decrease in interest expense between the years of $6.7 million.

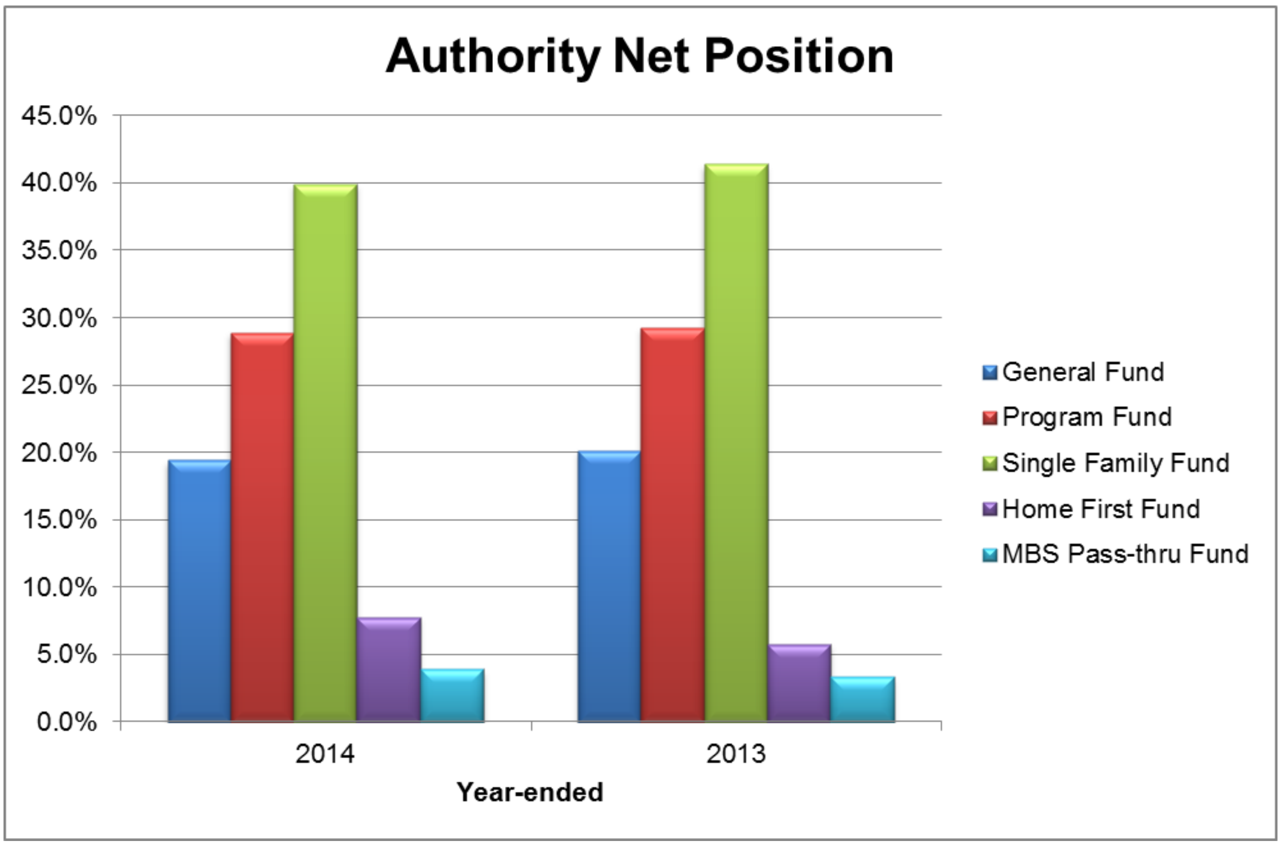
The change in net position is shown above both with and without the adjustment to recognize an investment at fair value, as required by Governmental Accounting Standards Board Statement No. 31 (GASB No. 31 adjustment). In 2014, there was a net increase of $20.3 million in the overall fair value of investments held at year end. The change in the fair value of investments is an unrealized gain in market value and has no direct effect on actual cash flows. This swing should be tempered with the understanding that these underlying assets are not readily marketable due to their relationship with the indentures. Without the GASB No. 31 adjustment, the increase in net position for 2014 was $13.3 million resulting in a net decrease of $4.7 million or 26 percent between years in the change in net position without the GASB No. 31 adjustment.

2014 Financial Condition

The Authority operates within financial policies and guidelines set by the members of its Board of Directors. These guidelines require the Authority to maintain adequate liquid asset levels, good mortgage portfolio performance and a sufficient level of unrestricted assets. Net position at December 31, 2014, consisted of $212.3 million restricted by funding sources, $203.0 million unrestricted and available to meet the obligations of the Authority's operations, and $2.9 million net investment in capital assets. Unrestricted net position increased $21.4 million or 12 percent and restricted net position increased $12.4 million or 6 percent from prior year.

The change in restricted assets was primarily due to the increase in the Program Fund's restricted cash and cash equivalents.

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



2014 Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium/ (discount), as of December 31, 2014, was $550.6 million, which decreased $143.4 million compared to $694.0 million as of December 31, 2013. This decrease was due to the $172.0 million of maturities and redemptions of bonds previously issued by the Authority offset by issuances in 2014 totaling $28.6 million. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch Ratings. (The Home First Bond Indenture is only rated by Moody's). More detailed information about the Authority's debt is presented in Note 5 to the financial statements.

The following table summarizes the 2014 mortgage revenue bond issuances (in thousands):

Bond Series	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch's rating
2014 Series 1		$28,667	$28,667	N/R	AAA
Total	$ -	$28,667	$28,667		

Economic Factors and Other Financial Information

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

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

Contacting the Authority's Financial Management

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

BASIC FINANCIAL STATEMENTS

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
December 31, 2014

Assets	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2014 Total
Current Assets						
Cash and cash equivalents:						
Unrestricted	$ 29,486,402		$ 26,882,188			$ 56,368,590
Restricted	1,693,057	$ 122,112,789	28,292,766	$ 17,429,411	$ 118,890	169,646,913
Accrued interest receivable:						
Investments	247,604		619,891	49,774		917,269
Investments held against bonds			768,038	557,048	622,013	1,947,099
Accounts and loans receivable, net	907,770	15,247,063				16,154,833
Other assets		1,947,703				1,947,703
Total current assets	32,334,833	139,307,555	56,562,883	18,036,233	740,903	246,982,407
Noncurrent Assets						
Investments:						
Unrestricted	44,478,163		97,715,343			142,193,506
Restricted			17,014,552	6,697,627		23,712,179
Investments held against bonds			200,752,485	205,046,201	172,913,238	578,711,924
Accounts and loans receivable, net	429,910	47,987,981				48,417,891
Capital assets, at cost, less accumulated depreciation	2,795,281	85,934				2,881,215
Interfund accounts	3,063,585	(3,063,585)				
Total noncurrent assets	50,766,939	45,010,330	315,482,380	211,743,828	172,913,238	795,916,715
Total assets	83,101,772	184,317,885	372,045,263	229,780,061	173,654,141	1,042,899,122
Deferred Outflows of Resources						
Accumulated decrease in fair value of hedging derivatives			4,388,214			4,388,214
Deferred refunding costs					4,708,878	4,708,878
Total deferred outflows of resources	-	-	4,388,214	-	4,708,878	9,097,092
Total assets and deferred outflows of resources	$ 83,101,772	$ 184,317,885	$ 376,433,477	$ 229,780,061	$ 178,363,019	$ 1,051,996,214
Liabilities						
Current Liabilities						
Bonds payable			$ 3,410,000	$ 6,175,000		$ 9,585,000
Accrued interest payable			4,726,804	489,708	$ 455,449	5,671,961
Unearned revenue	$ 124,473	$ 59,969,933				60,094,406
Accounts payable and other liabilities	1,693,057	3,470,956				5,164,013
Total current liabilities	1,817,530	63,440,889	8,136,804	6,664,708	455,449	80,515,380
Noncurrent Liabilities						
Bonds payable			195,855,000	187,865,000	157,338,915	541,058,915
Add original issue premium			624,324	2,672,372	4,081,378	7,378,074
Less original issue discount				(6,600)		(6,600)
Net noncurrent bonds payable			196,479,324	190,530,772	161,420,293	548,430,389
Derivative instrument - interest rate swap			4,388,214			4,388,214
Other liabilities	39,850		445,748			485,598
Total noncurrent liabilities	39,850		201,313,286	190,530,772	161,420,293	553,304,201
Total liabilities	1,857,380	63,440,889	209,450,090	197,195,480	161,875,742	633,819,581
Net Position						
Net investment in capital assets	2,795,281	85,934				2,881,215
Restricted		120,791,062	42,385,856	32,584,581	16,487,277	212,248,776
Unrestricted	78,449,111		124,597,531			203,046,642
Total net position	$ 81,244,392	$ 120,876,996	$ 166,983,387	$ 32,584,581	$ 16,487,277	$ 418,176,633

See accompanying notes to the financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2014

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2014 Total
Operating revenues, gains and losses:						
Interest income						
Investments	$ 11,645,610	$ 2,710	$ 1,603,264	$ 460,719		$ 13,712,303
Investments held against bonds			11,985,889	7,512,828	$ 6,174,685	25,673,402
Fee income	4,078,950	272,661				4,351,611
Program income		372,211,352				372,211,352
Net increase (decrease) in fair value of investments	1,037,619		4,284,169	8,879,515	6,086,508	20,287,811
Other income	520,062	282,850				802,912
Total operating revenues, gains and losses	17,282,241	372,769,573	17,873,322	16,853,062	12,261,193	437,039,391
Operating expenses:						
Investment expense	7,306,881					7,306,881
Interest expense			10,597,616	6,333,795	6,555,435	23,486,846
Issuance costs					380,693	380,693
Program expenses	78,623	353,911,198				353,989,821
Arbitrage expense			12,919			12,919
General and administrative expenses	5,771,275	11,066,329	806,687	598,315	12,000	18,254,606
Total operating expenses	13,156,779	364,977,527	11,417,222	6,932,110	6,948,128	403,431,766
Operating income (loss)	4,125,462	7,792,046	6,456,100	9,920,952	5,313,065	33,607,625
Transfers	(409,623)	401,329	1,313,853	455,285	(1,760,844)	
Transfers from outside sources		63,881				63,881
Change in net position	3,715,839	8,257,256	7,769,953	10,376,237	3,552,221	33,671,506
Net position, beginning of year	77,528,553	112,619,740	159,213,434	22,208,344	12,935,056	384,505,127
Net position, end of year	$ 81,244,392	$ 120,876,996	$ 166,983,387	$ 32,584,581	$ 16,487,277	$ 418,176,633

See accompanying notes to the financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2014

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	2014 Total
Cash flows from operating activities:						
Cash receipts for services	$ 4,793,822					$ 4,793,822
Program revenue		$ 387,539,258				387,539,258
Program expenses		(365,681,682)				(365,681,682)
Cash payments to suppliers	(1,881,012)		$ (806,688)	$ (598,315)	$ (12,000)	(3,298,015)
Cash payments to employees	(3,310,628)					(3,310,628)
Net cash provided by (used in) operating activities	(397,818)	21,857,576	(806,688)	(598,315)	(12,000)	20,042,755
Cash flows from noncapital financing activities:						
Proceeds from bond issues					29,965,718	29,965,718
Debt issuance costs incurred					(380,693)	(380,693)
Repayments and redemption of bonds and bank loans			(117,440,000)	(26,770,000)	(27,821,920)	(172,031,920)
Interest paid on bonds and bank loans			(13,452,777)	(6,405,365)	(5,351,019)	(25,209,161)
Interfund transfers	(409,623)	465,210	1,313,853	455,285	(1,760,844)	63,881
Net cash provided by (used in) noncapital financing activities	(409,623)	465,210	(129,578,924)	(32,720,080)	(5,348,758)	(167,592,175)
Cash flows from capital financing activities:						
Purchases of capital assets	(297,446)	(47,630)				(345,076)
Net cash used in capital financing activities	(297,446)	(47,630)				(345,076)
Cash flows from investing activities:						
Proceeds from sales or maturities of investments	33,589,766			9,225,614		42,815,380
Principal received on loans receivable	242,484					242,484
Principal received on investments held against bonds			69,226,387	23,917,902	27,821,920	120,966,209
Interest received on investments held against bonds			10,980,848	7,127,574	5,538,073	23,646,495
Interest received on investments	11,696,246	2,710	1,689,235	520,356		13,908,547
Purchases of investments	(35,115,555)		(12,840,489)			(47,956,044)
Purchases of investments held against bonds				(1,578,790)	(28,747,147)	(30,325,937)
Investment expenses	(6,809,303)					(6,809,303)
Net cash provided by investing activities	3,603,638	2,710	69,055,981	39,212,656	4,612,846	116,487,831
Increase (decrease) in cash and cash equivalents	2,498,751	22,277,866	(61,329,631)	5,894,261	(747,912)	(31,406,665)
Cash and cash equivalents, beginning of year	28,680,708	99,834,923	116,504,585	11,535,150	866,802	257,422,168
Cash and cash equivalents, end of year	$ 31,179,459	$ 122,112,789	$ 55,174,954	$ 17,429,411	$ 118,890	$ 226,015,503

See accompanying notes to the financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2014

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	Total
Reconciliation of operating income to net cash provided by (used in) operating activities:						
Operating income	$ 4,125,462	$ 7,792,046	$ 6,456,100	$ 9,920,952	$ 5,313,065	$ 33,607,625
Adjustments to reconcile operating income to cash provided by (used in) operating activities:						
Change in fair value of investments	(1,037,619)		(4,284,169)	(8,879,515)	(6,086,508)	(20,287,811)
Interest on investments	(11,645,610)	(2,710)	(1,603,264)	(460,719)		(13,712,303)
Interest on investments held against bonds			(11,985,889)	(7,512,828)	(6,174,685)	(25,673,402)
Investment expense	7,306,881					7,306,881
Depreciation	436,396	46,780				483,176
Program expense	78,623					78,623
Interest on bonds and bank loans			10,597,616	6,333,795	6,555,435	23,486,846
Debt issuance costs					380,693	380,693
Changes in assets and liabilities:						
Accounts receivable	194,810	3,808,808				4,003,618
Other assets		1,780				1,780
Unearned revenue	19,242	10,961,807				10,981,049
Accounts payable and other liabilities	123,997	(750,935)	12,918			(614,020)
Net cash provided by (used in) operating activities	$ (397,818)	$ 21,857,576	$ (806,688)	$ (598,315)	$ (12,000)	$ 20,042,755

See accompanying notes to the financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS

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

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

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

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

Each of the Authority's funds described below is considered a major fund.

General Fund

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

Program Fund

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

Single Family, Home First and MBS Pass-thru Funds

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

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS (CONTINUED)

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Accounting

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

Investment Securities

The Authority reports its investments securities, including MBS, at fair value. The realized and unrealized gains or losses are reported in the statement of revenues, expenses and changes in net position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Following is a summary of the effects of valuing investment securities at fair value on total assets and deferred outflows, net position and operating income (loss) for 2014:

	Total Assets and Deferred Outflows	
	Fair Value	**Cost**
General Fund	$ 83,101,772	$ 83,780,196
Program Fund	184,317,885	184,317,885
Single Family Fund	376,433,477	357,959,417
Home First Fund	229,780,061	222,665,669
MBS Pass-thru Fund	178,363,019	162,791,655
	$1,051,996,214	$1,011,514,822

	Net Position	
	Fair Value	**Cost**
General Fund	$ 81,244,392	$ 81,922,816
Program Fund	120,876,996	120,876,996
Single Family Fund	166,983,387	148,509,327
Home First Fund	32,584,581	25,470,189
MBS Pass-thru Fund	16,487,277	915,913
	$ 418,176,633	$ 377,695,241

	Operating Income (Loss)	
	Fair Value	**Cost**
General Fund	$ 4,125,462	$ 3,087,843
Program Fund	7,792,046	7,792,046
Single Family Fund	6,456,100	2,171,931
Home First Fund	9,920,952	1,041,437
MBS Pass-thru Fund	5,313,065	(773,443)
	$ 33,607,625	$ 13,319,814

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Bond Issuance Costs

Bond issuance costs are expensed as incurred.

Deferred Refunding Costs

In 2012, the Authority issued 2012 series bonds under the MBS Pass-thru Fund, the proceeds from which were used to redeem bonds with an outstanding swap agreement. As part of the swap termination upon the bond redemption, the Authority was required to pay swap termination fees of $9,114,000 to the counterparty. In accordance with GASB No. 53, the Authority capitalized amounts paid in connection with the swap termination fees and is amortizing the balance ratably in proportion to 2012 series bonds redeemed during the year. Accumulated amortization of refunding costs was $4,405,122 at December 31, 2014, and amortization expense, which is reported as part of interest expense, was $1,186,649 for the year then ended.

Original Issue Discounts

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

Original Issue Premiums

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

Capital Assets

Capital assets consist primarily of computer software and hardware in the General Fund which is stated at cost less accumulated depreciation. The Authority is in the practice of capitalizing fixed asset purchases over $5,000 into capital assets. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from three to ten years.

A summary of capital assets (in thousands) being depreciated at December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Building improvements	$ 45			$ 45
Furniture and equipment	327	$ 9		336
Computer software	6,515	303		6,818
Computer hardware	861	55		916
Total accumulated depreciation	(4,779)	(455)		(5,234)
Total capital assets being depreciated, net of accumulated depreciation	$ 2,969	$ (88)	$ -	$ 2,881

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

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

Operating Revenues

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

Fee Income

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

Provision for Possible Loan Losses on Mortgage Loans Receivable

No provision for possible loan losses on mortgage loans receivable has been made because the Authority has purchased mortgage pool insurance on its loans, or they are fully insured by the FHA. The Authority considers all forgivable loans to be uncollectible and reserves the entire balances.

Allocation of Expenses Among Funds

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

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less. Cash equivalents are money market fund shares with a Fitch Rating of AAA.

Use of Estimates

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

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

Use of Restricted and Unrestricted Resources

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

Overdraws of Section 8 Housing Assistance

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

Subsequent Events

The Authority has evaluated the financial statements for subsequent events occurring through April 23, 2015, the date the financial statements were available to be issued.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash, cash equivalents and investments held by the Authority as of December 31, 2014 were as follows:

	General Fund	Program Fund	Single Family Fund	Home First Fund	MBS Pass-thru Fund	Total
Current						
Unrestricted cash and cash equivalents	$29,486,402		$ 26,882,188			$ 56,368,590
Restricted cash and cash equivalents	1,693,057	$ 122,112,789	28,292,766	$ 17,429,411	$ 118,890	169,646,913
Total Current Cash and Cash Equivalents and Investments	31,179,459	122,112,789	55,174,954	17,429,411	118,890	226,015,503
Non-Current						
Unrestricted Investments	44,478,163		97,715,343			142,193,506
Restricted:						
Investments			17,014,552	6,697,627		23,712,179
Investments - Held Against Bonds			200,752,485	205,046,201	172,913,238	578,711,924
Total restricted	-	-	217,767,037	211,743,828	172,913,238	602,424,103
Total Non-Current Cash and Cash Equivalents and Investments	44,478,163	-	315,482,380	211,743,828	172,913,238	744,617,609
Total Cash, Cash Equivalents and Investments	$75,657,622	$ 122,112,789	$ 370,657,334	$ 229,173,239	$ 173,032,128	$ 970,633,112

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

A summary of cash, cash equivalents and investments as of December 31, 2014 follows:

	Fair Value	Cost
Cash and cash equivalents	$226,015,503	$226,015,503
Federal agency obligations	149,204,266	151,148,286
Federal agency obligations held against bonds	578,711,924	536,136,580
Municipal bonds	6,624,719	6,735,795
Corporate notes	10,076,700	10,115,556
	$970,633,112	$930,151,720

Investment Policy

General

Indiana Code 5-20-1 authorizes the Authority to invest in obligations of the United States or any of its component States, or their agencies or instrumentalities and such other obligors as may be permitted under the terms of any resolution authorizing the issuance of the Authority's obligations.

Indentures

The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States or any of its component States, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2014, all investments held by the Authority were in compliance with the requirements of the Indentures.

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

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rate. The Authority's investment policy does not restrict investment maturities. As of December 31, 2014, the Authority had the following investments and maturities (in thousands).

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Federal agency obligations	$149,204	$771	$72,341	$59,768	$ 16,324
Federal agency obligations held against bonds	578,712			396	578,316
Municipal bonds	6,625		127	43	6,455
Corporate bonds	10,077		5,059	5,018	
Total	$744,618	$771	$77,527	$65,225	$601,095

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that the Authority will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty of the counterparty's trust department or agent but not in the Authority's name. As of December 31, 2014, the Authority had not entered into any agreements subject to this paragraph.

In 1937, the State created the Public Deposit Insurance Fund (PDIF) to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any federal deposit insurance. As of December 31, 2014, all of the Authority's cash was deposited in an approved financial institution.

Credit Risk Disclosure

The following table (in thousands of dollars) provides information on the credit ratings associated with the Authority's investments in debt securities as of December 31, 2014:

Investment Type	S&P	Fitch	Moody's	Fair Value
Federal agency obligations	AA+	AAA	Aaa	$149,204
Federal agency obligations held against bonds	AA+	AAA	Aaa	578,712
Municipal bonds	AA+	AAA	Aa2	6,625
Corporate bonds	AA+		A1	10,077
Total				$744,618

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. The following table shows investments in issuers that represent five percent or more of total investments at December 31, 2014.

Issuer	Percent of Total Investments
Ginnie Mae	67.53%
Federal Home Loan Bank	9.33%
Small Business Administration	8.44%
Fannie Mae	6.88%
Federal Home Loan Mortgage Corporation	5.58%

NOTE 4 - ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable at December 31, 2014, were as follows:

General Fund:	
Mortgage loans	$ 429,910
DPA loans	11,776,486
Accounts receivable	907,770
	13,114,166
Less: Allowance for uncollectible loans	(11,776,486)
	$ 1,337,680
Current receivables	$ 907,770
Noncurrent receivables	$ 429,910
Program Fund:	
Reimbursements due from other governments	$ 7,484,136
Section 1602 Tax Credit Exchange Program loans	184,863,165
Tax Credit Assistance program loans	10,477,868
Rural Rental Housing loans	1,994,197
Home Investment Partnerships Program loans	7,669,026
Community Development Block Grant loans	9,282,472
Development Fund loans	27,424,892
Hardest Hit Fund loans	56,561,663
	305,757,419
Less: Allowance for uncollectible loans	(242,522,375)
	$ 63,235,044
Current receivables	$ 15,247,063
Noncurrent receivables	$ 47,987,981

The Section 1602 Tax Credit Exchange Program, the Hardest Hit Fund, and the Next Home Ownership Mortgage Down Payment Assistance (DPA) loans are forgivable, as long as borrowers comply with the provisions of the related agreements. Therefore, these loans are included in the allowance for uncollectible loans. Additionally, the Authority creates allowances for loans and receivables to correspond with their perceived collectability. The General Fund fronts the monies for the DPA program, and is reimbursed once the loans are funded.

NOTE 5 - BONDS PAYABLE

Bonds payables at December 31, 2014 consist of (dollars in thousands):

Single Family Fund	Original Amount	Balance
2005 Series C-1:		
Serial bonds (4.15% to 4.25%), due 2015 - 2016	$ 4,850	$ 135
Term bonds (4.55%), due 2020	4,035	155
	8,885	290
2005 Series C-2:		
Term bonds (4.85%), due 2026	980	45
Term bonds (5.00%), due 2031	1,030	35
Term bonds (5.05%), due 2037	4,180	155
	6,190	235
2006 Series A-1:		
Term bonds (5.25%), due 2037	35,065	4,985
	35,065	4,985
2006 Series B-1:		
Serial bonds (4.15% to 4.25%), due 2015 - 2016	6,435	1,175
	6,435	1,175
2006 Series B-2:		
Term bonds (4.80%), due 2021	13,230	3,570
Term bonds (4.90%), due 2026	16,755	4,350
Term bonds (4.95%), due 2031	22,620	6,445
Term bonds (5.00%), due 2037	34,125	9,720
Term bonds (5.50%), due 2037	26,500	1,035
Taxable PAC bonds (5.90%), due 2037	50,000	7,620
	163,230	32,740
2006 Series C-1:		
Serial bonds (4.30% to 4.35%), due 2015 - 2016	4,515	1,155
Term bonds (4.65%), due 2021	8,935	3,655
Term bonds (4.80%), due 2027	14,970	6,105
Term bonds (4.85%), due 2031	13,475	5,505
Taxable PAC bonds (5.75%), due 2037	10,000	1,305
Term bonds (4.90%), due 2037	27,865	11,385
	79,760	29,110

NOTE 5 - BONDS PAYABLES (CONTINUED)

Single Family Fund	Original Amount	Balance
2006 Series D-1:		
Serial bonds (4.15% to 4.20%), due 2015 - 2016	$ 4,510	$ 1,115
Term bonds (4.45%), due 2021	8,045	3,895
Term bonds (4.55%), due 2027	13,420	6,510
Term bonds (4.60%), due 2031	12,025	5,830
Taxable PAC bonds (5.50%), due 2038	16,000	1,835
Term bonds (4.625%), due 2038	30,065	9,155
	84,065	28,340
2006 Series D-2:		
Taxable bonds (5.409%), due 2038	25,045	4,570
	25,045	4,570
2007 Series A-1:		
Serial bonds (4.30%), due 2015	1,195	550
Term bonds (4.375%), due 2017	2,585	1,200
Term bonds (4.650%), due 2022	7,155	1,120
Term bonds (4.780%), due 2027	9,415	350
Term bonds (4.80%), due 2032	12,405	5,785
PAC bonds (5.50%), due 2038	9,030	1,455
Term bonds (4.875%), due 2039	22,620	10,545
	64,405	21,005
2007 Series A-2:		
Taxable PAC bonds (5.505%), due 2039	24,985	5,400
	24,985	5,400
2010 Series 08A-2:		
Term bonds (SIFMA plus 0.45%), due 2039	85,000	54,480
	85,000	54,480
2008 Series A-3:		
Serial bonds (4.850% to 5.30%), due 2015 - 2018	16,500	3,690
Term bonds (5.95%), due 2023	7,015	1,860
Term bonds (6.125%), due 2029	11,165	2,965
Term bonds (6.25%), due 2033	13,370	3,550
Term bonds (6.45%), due 2040	18,370	4,870
	66,420	16,935
Total Single Family Fund	$ 649,485	$ 199,265

NOTE 5 - BONDS PAYABLE (CONTINUED)

Home First Fund	Original Amount	Balance
2009 Series A-3:		
Term bonds (2.32%), due 2041	$ 36,000	$ 26,910
	36,000	26,910
2009 Series A-4:		
Term bonds (2.49%), due 2041	78,000	58,365
	78,000	58,365
2009 Series A-5:		
Term bonds (2.73%), due 2041	39,000	33,770
	39,000	33,770
2010 Series A:		
Serial bonds (1.95% to 3.55%), due 2015 - 2021	12,225	5,405
Term bonds (4.00%), due 2025	6,035	3,810
PAC bonds (4.50%), due 2028	5,740	3,275
	24,000	12,490
2011 Series A:		
Serial bonds (1.75% to 4.00%), due 2015 - 2021	9,070	4,015
Term bonds (4.45%), due 2027	7,430	4,050
PAC bonds (4.50%), due 2028	7,500	4,660
	24,000	12,725
2011 Series B:		
Serial bonds (1.30% to 4.00%), due 2015 - 2021	8,825	5,430
Term bonds (4.00%), due 2027	7,675	5,405
PAC bonds (4.00%), due 2028	7,500	4,825
	24,000	15,660
2011 Series C:		
Serial bonds (1.70% to 5.00%), due 2015 - 2022	26,325	18,850
Term bonds (4.10%), due 2027	7,905	6,245
PAC bonds (4.50%), due 2027	12,680	9,025
	46,910	34,120
Total Home First Fund	$ 271,910	$ 194,040

NOTE 5 - BONDS PAYABLE (CONTINUED)

MBS Pass-thru Fund	Original Amount	Balance
2012 Series 1:		
Term bonds (3.029%), due 2038	$ 73,532	$ 37,991
	73,532	37,991
2013 Series 1:		
Term bonds (3.027%), due 2041	62,674	50,221
	62,674	50,221
2013 Series 2:		
Term bonds (4.038%), due 2036	51,839	43,177
	51,839	43,177
2014 Series 1:		
Term bonds (4.050%), due 2038	28,667	25,950
	28,667	25,950
Total MBS Pass-Thru Fund	$ 216,712	$ 157,339
Total Bonds Payable	$ 1,138,107	$ 550,644

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

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

The 2010 Series 08A-2 bond matures on December 1, 2039, and the interest rate is SIFMA plus .45% (.48% at December 31, 2014) adjusted weekly.

NOTE 5 - BONDS PAYABLE (CONTINUED)

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2014 and thereafter (all amounts in thousands). The Authority typically has significant prepayments of principal amounts and therefore does not expect to make all interest payments in their scheduled amounts.

	Single Family Fund		Home First Fund		MBS Pass-thru Fund		Total		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Payments
2015	$ 3,410	$ 9,171	$ 6,175	$ 5,846		$ 5,465	$ 9,585	$ 20,482	$ 30,067
2016	3,805	9,011	6,460	5,701		5,465	10,265	20,177	30,442
2017	4,200	8,825	6,460	5,468		5,465	10,660	19,758	30,418
2018	3,880	8,628	6,580	5,213		5,465	10,460	19,306	29,766
2019	5,015	8,427	6,245	4,968		5,465	11,260	18,860	30,120
2020-2024	28,875	38,448	30,650	21,440		27,327	59,525	87,215	146,740
2025-2029	39,425	30,969	38,255	14,877		27,327	77,680	73,173	150,853
2030-2034	53,895	20,110	37,375	9,599		27,327	91,270	57,036	148,306
2035-2039	55,925	6,287	40,145	4,705	$ 107,118	17,880	203,188	28,872	232,060
2040-2044	835	27	15,695	475	50,221	2,977	66,751	3,479	70,230
Original issue premium	624		2,672		4,082		7,378		7,378
Original issue discount			(7)				(7)		(7)
Total	$ 199,889	$ 139,903	$ 196,705	$ 78,292	$ 161,421	$ 130,163	$ 558,015	$ 348,358	$ 906,373

Summary of long-term debt as of December 31, 2014 (dollars in thousands):

Interest Range Rates	Maturity Range	Payment Range of Principal	Amount
0.45% - 6.45%	2015 - 2041	$9,160 - $81,681	$541,059

Changes in Obligations

The following are changes in the obligations of the Authority for the year ended December 31, 2014:

Long-term obligations (in thousands):

	Beginning Balance	Increases	Decrease	Ending Balance	Amounts within one year	Amounts due thereafter
Bonds payable/notes payable	$694,009	$28,667	$172,032	$550,644	$9,585	$541,059
Add: Original premium	8,564		1,186	7,378		7,378
Less: Original discount	(8)		1	(7)		(7)
Derivitive instrument - interest rate swaps	5,000		612	4,388		4,388
Other liabilities	433	53		486		486
Total	$707,998	$28,720	$173,831	$562,889	$9,585	$553,304

NOTE 5 - BONDS PAYABLE (CONTINUED)

The Single Family and Home First bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 103 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority redeemed $172,031,920 of bonds in 2014 from prepayments, maturities and refunds. The bond redemptions resulted in write-offs of unamortized discount and deferred refunding costs related to the redeemed bonds.

Swap Agreement – Cash Flow Hedge

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

Objective of the Swap: In order to protect against the potential of rising interest rates, the Authority entered a pay-fixed, receive-variable interest rate swap.

Terms, Fair Values, and Credit Risk: The terms, including, the fair values and credit ratings of the outstanding swap as of December 31, 2014, are as follows. The notional amount of the swap matches the principal amount of the associated debt. The Authority's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

Bond series	Notional amounts	Effective date	Fixed rate paid	Variable rate received	Fair value	Swap termination date	Counterparty credit rating S&P/Moody's/Fitch
2008 Series A-2	$54,480,000	12/2/2008	3.445%	USD-SIFMA	$(4,388,214)	7/1/2027	AA-/Aa3/AA

Fair Value: Because interest rates declined, the swap had a net mark to market value of ($4,388,214) as of December 31, 2014. That fair value may be countered by reductions in total interest payments required under the floating-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's floating-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

Credit Risk: As of December 31, 2014, the Authority was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value.

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

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

NOTE 5 - BONDS PAYABLE (CONTINUED)

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

Swap Payments and Associated Debt: As of December 31, 2014, debt service requirements of the Authority's hedged outstanding variable rate debt and net swap payments (assuming current interest rates remain the same for their term and bonds are called as the swap amortizes) are as follows:

	Variable- Rate Bonds			
Year Ending December 31	Principal	Interest	Interest Rate, Swaps, Net	Total
2015	$ 6,605,000	$ 237,492	$ 1,689,657	$ 8,532,149
2016	4,650,000	213,732	1,520,614	6,384,346
2017	4,210,000	193,248	1,374,879	5,778,127
2018	4,480,000	170,952	1,216,252	5,867,204
2019	5,755,000	144,912	1,030,989	6,930,901
2020-2024	21,685,000	382,020	2,717,913	24,784,933
2025-2027	7,095,000	33,552	238,708	7,367,260
Total	$ 54,480,000	$ 1,375,908	$ 9,789,012	$ 65,644,920

Conduit Debt Obligations

The Authority is authorized by law to issue conduit revenue bonds for the purpose of financing residential housing for persons and families of low and moderate income. Except as described below, the Authority's revenue bonds are payable solely from revenues of the Authority specifically pledged thereto. The bonds are not, in any respect, a general obligation the Authority, nor are they payable in any manner from revenues raised by the Authority.

The Authority has issued debt obligations on behalf of a certain 501(c)(3) organizations (the "Debtors") for the purpose of acquiring and rehabilitating facilities for housing persons of low and moderate income. These bonds and the interest thereof do not constitute a debt or liability of the Authority, but are special obligations between investors and the Debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2014, the Authority had outstanding conduit debt of $89,945,000.

NOTE 6 - COMMITMENTS

As of December 31, 2014, the Authority had the following commitments:

Lease

The Authority amended its lease agreement for office space in November 2013. The table below shows the required payments for rent and anticipated operating expenses for the ten-year term of the lease. Lease expense for 2014 was $467,130.

Year	Lease Expense
2015	$ 535,067
2016	536,073
2017	537,119
2018	538,207
2019	539,339
2020 – 2023	2,169,602
Total	$4,855,407

Excess Investment Earnings

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

The Authority’s liability for excess earnings, included in accounts payable and other liabilities on the statement of net position at December 31, 2014, follows:

Single Family Program	$445,748

NOTE 7 - RETIREMENT PLAN

Plan Description

The Indiana Housing and Community Development Authority contributed to the Public Employees' Retirement Fund (PERF). PERF as part of the implementation of GASB Statement No. 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013, based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State of Indiana not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. PERF ASA Only Plan members are full-time employees of the State of Indiana (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013; were members of the PERF Hybrid Plan or (2) on or after March 1, 2013, do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the ASA Only Plan and must offer eligible employees the ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the ASA-Only Plan as an option to their employees. Since inception, 395 members have selected the ASA Only Plan, or approximately 9 percent of eligible new hires of the State.

Members are required to participate in an Annuity Savings Account (ASA). The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision. Investments in the members' annuity savings accounts are individually directed and controlled by plan participants who direct the investment of their account balances among the following eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections Members may make changes to their investment directions daily and investments are reported at fair value.

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

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Funding Policy

The State of Indiana is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2014, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 9.7 percent was required from employers during the period of July 1 – December 31, 2013, and an average contribution rate of 11.0 percent was required for the period of January 1 – June 30, 2014. For the ASA Only Plan all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer’s contribution rate to the member’s account shall not be less that 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for fiscal year 2014 and any amount not credited to the member’s account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member’s contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

For the 2014 plan year, the Authority's contribution was $644,317, equal to the required contributions for the year. This consisted of $136,123 for the 3 percent employer payment of the employee contribution to their ASA, and $508,194 for the 11.2 percent employer contribution to the defined benefit plan.

NOTE 8 - CONTINGENCIES

The Authority is subject to various claims which arise primarily in the ordinary course of conducting their business. In management’s opinion, the ultimate resolution of such matters will not have a material adverse effect on the Authority’s financial position or its results of operations.

Board of Directors
Indiana Housing and Community Development Authority

We have audited the financial statements of the business-type activities and each major fund of the Indiana Housing and Community Development Authority (the Authority) as of and for the year ended December 31, 2014, and have issued our report thereon dated April 23, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit and Compliance Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the Authority's internal control over financial reporting solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We also considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination of the Authority's compliance with those requirements.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal control deficiencies noted during our audit in a separate report dated April 23, 2015, and other matters noted during our audit in a separate letter to you dated April 23, 2015.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team; others in our firm, as appropriate; and our firm have complied with all relevant ethical requirements regarding independence.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies used by the Authority is included in Note 1 to the financial statements. There was no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2014. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the Authority's financial statements are the fair values of investments and derivative instruments, the allowance for doubtful accounts and depreciable lives of capital assets.

- Management's estimates of the fair values of investments and derivative instruments are based on amounts provided by the trustees and counterparties.

- Management's estimate of the allowance for doubtful accounts is determined through a review of accounts receivable that are past due and management's determination of individual balances' collectability.

- Management's estimate of the depreciable lives of capital assets is based on reasonable expected useful lives of the capital assets.

We evaluated the key factors and assumptions used to develop the above estimates and determined that the estimates are reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Authority's financial statements relate to deposits, investments, and bonds payable.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no misstatements identified by us as a result of our audit procedures.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. There were no material misstatements identified by us as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards describe a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Authority's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated April 23, 2015.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Supplementary Information

With respect to the management's discussion and analysis accompanying the financial statements, we have applied certain limited procedures; however, the procedures do not provide us with sufficient evidence to express an opinion or provide any assurance on the information.

The schedule of expenditures of federal awards presented separately from the financial statements is not a required part of the financial statements. The schedule of expenditures of federal awards is required by OMB Circular A-133. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures in order to provide an opinion on the schedule of expenditures of federal awards in relation to the financial statements as a whole.

Noncompliance with Compliance Requirements

We have identified certain matters involving noncompliance with federal award requirements that came to our attention during the course of the audit and have identified these matters in a separate report dated April 23, 2015.

Other Significant Findings or Issues

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

Distribution and Use of This Report

This report is intended solely for the information and use of the Authority's Audit Committee, Board of Directors, and management, and others within the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 23, 2015

April 23, 2015

Katz, Sapper & Miller, LLP
Indianapolis, Indiana

This representation letter is provided in connection with your audit of the financial statements of Indiana Housing and Community Development Authority (the Authority) which comprise the respective statement of financial position of the business-type activities and each major fund as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States and as to whether the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

We confirm, to the best of our knowledge and belief, as of April 23, 2015, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 10, 2014, including our responsibility for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and other supplementary information.

2. The financial statements are fairly presented in conformity with accounting principles generally accepted in the United States and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. Moreover, the measurement process used by management in determining accounting estimates was appropriate and consistent, the assumptions appropriately reflect management's intent and ability to carry out specific courses of action, the disclosures related to accounting estimates are complete and appropriate, and no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.

6. Related party relationships and transactions, including revenues, expenditure expenses, loans, transfers, leasing arrangements, and guarantees, and accounts receivable from or payable to related parties, have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States.

7. All events subsequent to the date of the financial statements and through the date of this letter, and for which accounting principles generally accepted in the United States require adjustment or disclosure in the financial statements or in the schedule of findings and questioned costs, have been adjusted or disclosed.

8. We are in agreement with the adjusting journal entries, if any, you have proposed, and they have been posted to the Authority's accounts.

9. The effects of all known actual or possible litigation, claims, and assessments, if any, have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States.

10. Material concentrations have been properly disclosed in accordance with accounting principles generally accepted in the United States.

11. Guarantees, whether written or oral, under which the Authority is contingently liable, have been properly recorded or disclosed in accordance with accounting principles generally accepted in the United States.

12. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

13. The financial statements properly classify all funds and activities.

14. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements, and Management's Discussion and Analysis, for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements, and Management's Discussion and Analysis, for State and Local Governments: Omnibus*, as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

15. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

16. Provisions for uncollectible receivables have been properly identified and recorded.

17. Expenses have been appropriately classified in or allocated to functions and programs in the statement of revenues, expenses and changes in net position, and allocations have been made on a reasonable basis.

18. Revenues are appropriately classified in the statement of revenues, expenses and changes in net position within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

19. Inter-fund, internal, and intra-entity activity and balances have been appropriately classified and reported.

20. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

21. Capital assets are properly capitalized, reported, and, if applicable, depreciated.

22. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is

available and have determined that net position is properly recognized under the policy.

23. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and lines of credit or similar arrangements, have been properly recorded or disclosed in the financial statements.

24. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the statement of net position date and have been reduced to their estimated net realizable value.

25. With regard to the fair value measurements and disclosures, we believe that the measurement methods, including related assumptions, used in determining fair values were appropriate and were consistently applied in accordance with accounting principles generally accepted in the United States; the completeness and adequacy of the disclosures are in accordance with accounting principles generally accepted in the United States; and no subsequent events have occurred requiring adjustment to the fair value measurements and disclosures included in the financial statements.

26. Derivatives instruments have been properly reported at fair value on the statement of net position. Derivative instruments reported as deferred inflows and outflows meet the criteria for hedging instruments. Changes in fair value of ineffective derivative instruments are reported on the statement of revenue, expenses and changes in net position in the period of change.

Information Provided

1. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports received from funding sources. Among other things, relevant information includes all minutes of the meetings of directors and committees of directors, or summaries of actions of recent meetings for which minutes were not prepared. In addition, relevant information includes all communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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

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

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements, the schedule of expenditures of federal awards and other supplementary information.

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

4. We have no knowledge of any fraud or suspected fraud that affects the Authority and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, grantors, regulators, or others.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse whose effects should be considered when preparing the financial statements.

7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

8. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware.

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

10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

12. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

13. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

14. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

15. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

16. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial stat significant to the audit objectives.

17. Except as made known to you, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

18. The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

19. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

20. Tax-exempt bonds issued have retained their tax-exempt status.

21. With respect to federal award programs:

    a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    b. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133, and included in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

    c. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.

d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.

e. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.

f. We have received no requests from a federal agency to audit one or more specific programs as a major program.

g. Except for noncompliance disclosed to you, we have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.

h. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.

i. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.

j. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.

k. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

l. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.

m. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.

n. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.

o. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the date as of which compliance was audited.

p. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.

q. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

r. We have monitored sub-recipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133.

s. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of sub-recipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that sub-recipients have taken the appropriate and timely corrective action on findings.

t. We have considered the results of sub-recipient audits and have made any necessary adjustments to our books and records.

u. We have charged costs to federal awards in accordance with applicable cost principles.

v. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

w. We are responsible for the auditee certification and the submission of the Data Collection Form as required by OMB Circular A-133.

x. We are responsible for preparing and implementing a corrective action plan for each audit finding.

y. We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

22. We acknowledge our responsibility for presenting the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior year. We have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the RSI.

23. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

24. We will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.

25. In regards to the drafting of the Federal Audit Clearinghouse data collection form by you, we have –

    a. Assumed all management functions.

    b. Designated an individual with suitable skill, knowledge, or experience to oversee the services.

    c. Evaluated the adequacy and results of the services performed.

    d. Accepted responsibility for the results of the services.

26. We have responded fully and truthfully to all inquiries made to us by you during your audit.

Jacob Sipe, Executive Director

Blake Blanch, Chief Financial Officer

Vinya Dunbar

Vinya Dunbar, Director of Accounting