



A COMPONENT UNIT OF THE STATE OF INDIANA

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2010

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

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800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

Independent Auditors' Report

Board of Directors
Indiana Housing and Community Development Authority

We have audited the accompanying statement of net assets of the major funds and business-type activities of Indiana Housing and Community Development Authority (Authority), a component unit of the State of Indiana, as of December 31, 2010, and the related individual statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major funds and business-type activities of Indiana Housing and Community Development Authority at December 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Management's Discussion and Analysis on pages 2 through 7, and the schedule of funding progress and employer contributions on page 37 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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* and should be considered in assessing the results of our audit.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 28, 2011

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

This section of Indiana Housing and Community Development Authority's (Authority) annual financial report presents management's discussion and analysis of the Authority's financial position, results of operations and cash flows during the fiscal year ended December 31, 2010. This information is being presented to provide additional information regarding the activities of the Authority. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

Introduction – The Indiana Housing and Community Development Authority

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

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

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

Financial Statements

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

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

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

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

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

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

2010 Financial Highlights

The assets of the Authority exceeded its liabilities at December 31, 2010 by \$328.4 million compared to \$279.0 million at December 31, 2009. Net assets at December 31, 2010 consisted of \$223.3 million restricted by bond indentures, \$32.7 million restricted by funding sources, \$1.7 million invested in capital assets, and \$70.6 million, which is unrestricted and available to meet the obligations of the Authority's operations.

Total assets decreased by \$344.9 million or 17.4 percent during 2010 from \$1,985.7 million to \$1,640.8 million due mainly to a decrease in restricted cash and investments.

The Authority's largest liability, bonds payable, decreased by \$194 million, or 14.4 percent, during 2010, from \$1,345 million to \$1,151 million.

The total change in net assets in 2010 was an increase of \$49.4 million consisting of operating income of \$49.4 million (which includes a net increase in the fair value of investments of \$18.4 million) and nonoperating income of \$1.2 thousand.

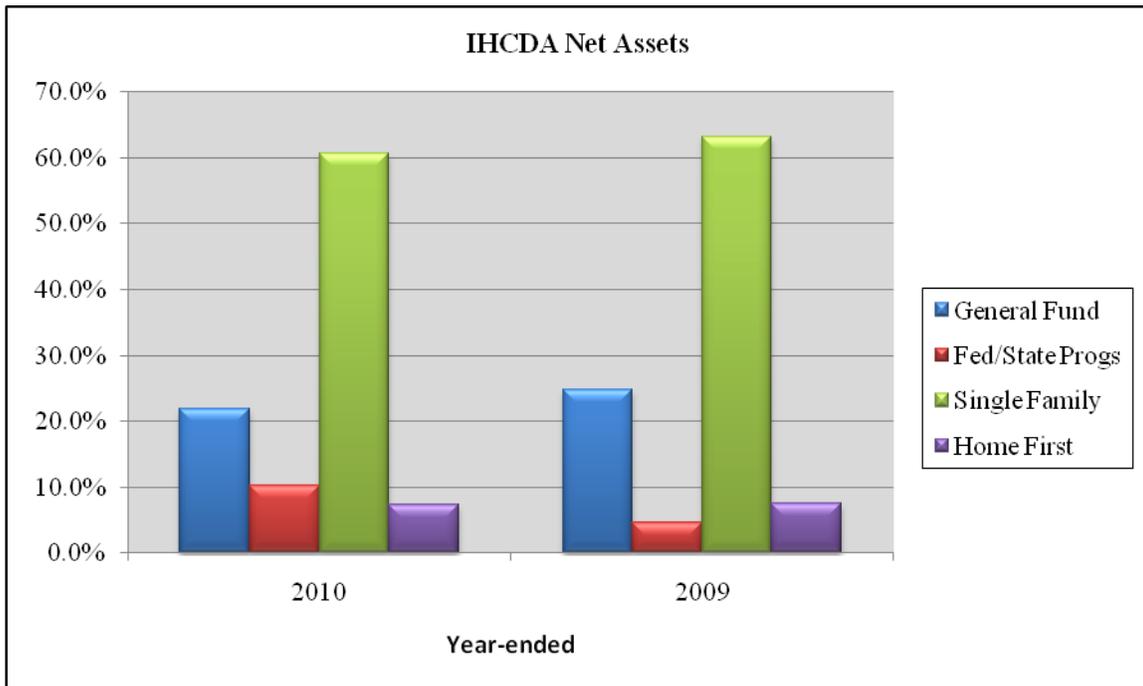
In 2010, total operating revenues were \$720.7 million, which includes interest income on mortgage loans of \$49.8 million, federal and state program income of \$624.5 million, interest income on investments of \$12.4 million, a net increase in the fair value of securities of \$18.4 million, \$15.2 million in fee income and \$0.4 million of other income.

Total operating expenses in 2010 were \$671.2 million, which includes \$46.7 million of interest expense on bonds, \$604.1 million of direct federal and state program expenses, \$15.3 million of general and administrative expense, \$0.9 million of interest expense on bank loans, \$1.6 million of amortization of debt issuance costs and \$2.6 million of other expenses.

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

2010 Financial Condition

The Authority operates within financial policies and guidelines set by the members of its Board of Directors. These guidelines require the Authority to maintain adequate liquid asset levels, good mortgage portfolio performance and a sufficient level of unrestricted net assets. Total net assets as of December 31, 2010 increased 17.7% to \$328.4 million from \$279.0 million in the previous year. Unrestricted net assets increased \$9.9 million or 16.3% from the prior year, comprising 4.3% of total assets and 21.5% of total net assets.



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

2010 Financial Analysis

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

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>Percentage</u>
Assets				
Current assets	\$ 523,728	\$ 401,304	\$ 122,424	30.5%
Noncurrent assets	<u>1,117,045</u>	<u>1,584,424</u>	<u>(467,379)</u>	-29.5%
Total assets	<u>1,640,773</u>	<u>1,985,728</u>	<u>(344,955)</u>	-17.4%
Liabilities				
Current liabilities	342,953	594,953	(252,000)	-42.4%
Noncurrent liabilities	<u>969,441</u>	<u>1,111,825</u>	<u>(142,384)</u>	-12.8%
Total liabilities	<u>1,312,394</u>	<u>1,706,778</u>	<u>(394,384)</u>	-23.1%
Net assets				
Restricted	257,766	218,233	39,533	18.1%
Unrestricted	<u>70,613</u>	<u>60,717</u>	<u>9,896</u>	16.3%
Total net assets	<u>\$ 328,379</u>	<u>\$ 278,950</u>	<u>\$ 49,429</u>	17.7%

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

Operating Analysis

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

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>Percentage</u>
Operating Revenues				
Interest on loans	\$ 49,830	\$ 57,487	\$ (7,657)	-13.3%
Interest on investments	12,363	16,329	(3,966)	-24.3%
Program revenues	639,662	371,080	268,582	72.4%
Net increase in fair value of investments	18,373	8,159	10,214	125.2%
Other operating revenue	424	774	(350)	-45.2%
Total operating revenues	<u>720,652</u>	<u>453,829</u>	<u>266,823</u>	58.8%
Operating Expenses				
Total interest expense	47,566	59,329	(11,763)	-19.8%
Program expenses	604,118	351,023	253,095	72.1%
Other operating expenses	19,541	20,794	(1,253)	-6.0%
Total operating expenses	<u>671,225</u>	<u>431,146</u>	<u>240,079</u>	55.7%
Operating income	<u>\$ 49,427</u>	<u>\$ 22,683</u>	<u>\$ 26,744</u>	117.9%

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

Interest income on mortgage loans of \$49.8 million for 2010 decreased compared to \$57.5 million for 2009. Interest income on investments of \$12.4 million for 2010 decreased compared to \$16.3 million for 2009.

The increase in fair value of securities for 2010 was \$18.4 million compared to an increase of \$8.2 million in 2009. This represents an increase in the overall fair value of investments held at December 31, 2010, compared to their fair value at December 31, 2009, due to the current interest rate environment. The Authority values its securities at fair value with the change in fair value reported as operating revenue. The change in the fair value of securities is an unrealized gain in market value and has no direct effect on actual cash flows.

Fee income of \$15.2 million for the current year increased compared to \$13.2 million in the prior year.

Total interest expense on bonds was \$46.7 million in 2010 compared to \$56.4 million in 2009.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling \$624.5 million in revenue in 2010, compared to \$357.9 million in revenue in 2009. The increase in revenue in 2010 is due to the provisions of the American Recovery and Reinvestment Act.

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

2010 Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium/(discount), as of December 31, 2010, was \$1,151 million, which decreased \$194 million compared to \$1,345 million on December 31, 2009. This decrease was due to the \$218 million of repayments and redemptions of bonds previously issued by the Authority offset by issuance in 2010 of a series of mortgage revenue bonds under the Home First Indenture totaling \$24 million. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 7 to the financial statements.

The following table summarizes the 2010 mortgage revenue bond issuances (in thousands):

<u>Home First Mortgage Revenue Bonds</u>	<u>Tax-exempt amount</u>	<u>Taxable amount</u>	<u>Total</u>	<u>Moody's rating</u>	<u>Fitch rating</u>
2010 Series A	\$ 24,000	\$	\$ 24,000	Aaa	AAA
Total	<u>\$ 24,000</u>	<u>\$</u>	<u>\$ 24,000</u>		

Economic Factors and Other Financial Information

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

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

Contacting the Authority's Financial Management

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS
December 31, 2010

Assets	General Fund	Federal and State Programs	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	Home First Mortgage Program Fund	Total
Current Assets						
Unrestricted cash and investments	\$ 4,386,076	\$ 676,552				\$ 5,062,628
Restricted cash and investments	100,124,822	18,246,653	\$ 177,605,836		\$ 212,631,862	508,609,173
Accrued interest receivable:						
Investments	147,818					147,818
Unrestricted accounts receivable and other assets	2,264,501					2,264,501
Restricted accounts receivable and other assets		7,643,596				7,643,596
Total current assets	<u>106,923,217</u>	<u>26,566,801</u>	<u>177,605,836</u>		<u>212,631,862</u>	<u>523,727,716</u>
Noncurrent Assets						
Unrestricted investments	52,157,859					52,157,859
Restricted investments			34,513,371		19,700,268	54,213,639
Mortgage loans receivable	2,124,626					2,124,626
Restricted mortgage loans receivable			910,518,725		40,535,326	951,054,051
Net mortgage loans receivable	<u>2,124,626</u>		<u>910,518,725</u>		<u>40,535,326</u>	<u>953,178,677</u>
Restricted accrued interest receivable:						
Investments			177,040		92,782	269,822
Mortgage loans	18,000		3,614,763		143,767	3,776,530
Deferred debt issuance costs, net			6,287,229		913,927	7,201,156
Deferred outflow of resources			13,446,931			13,446,931
Capital assets, at cost, less accumulated depreciation	1,720,267					1,720,267
Unrestricted accounts receivable and other assets	3,473,215					3,473,215
Restricted accounts receivable and other assets		27,607,317				27,607,317
Interfund accounts	7,573,594	(6,873,540)	(640,054)		(60,000)	
Total noncurrent assets	<u>67,067,561</u>	<u>20,733,777</u>	<u>967,918,005</u>		<u>61,326,070</u>	<u>1,117,045,413</u>
Total assets	<u>\$ 173,990,778</u>	<u>\$ 47,300,578</u>	<u>\$ 1,145,523,841</u>		<u>\$ 273,957,932</u>	<u>\$ 1,640,773,129</u>
Liabilities						
Current Liabilities						
Bonds payable			\$ 15,695,000		\$ 189,565,000	\$ 205,260,000
Line of credit borrowings	\$ 100,000,000					100,000,000
Accrued interest payable			21,006,616		447,852	21,454,468
Accounts payable and other liabilities	2,209,200	\$ 13,904,795				16,113,995
Commitment fee deposits	124,822					124,822
Total current liabilities	<u>102,334,022</u>	<u>13,904,795</u>	<u>36,701,616</u>		<u>190,012,852</u>	<u>342,953,285</u>
Noncurrent Liabilities						
Bonds payable			886,465,000		59,435,000	945,900,000
Add original issue premium			7,029,195		439,569	7,468,764
Net noncurrent bonds payable			<u>893,494,195</u>		<u>59,874,569</u>	<u>953,368,764</u>
Derivative instrument - interest rate swaps			13,446,931			13,446,931
Other liabilities			2,625,110			2,625,110
Total noncurrent liabilities			<u>909,566,236</u>		<u>59,874,569</u>	<u>969,440,805</u>
Total liabilities	<u>102,334,022</u>	<u>13,904,795</u>	<u>946,267,852</u>		<u>249,887,421</u>	<u>1,312,394,090</u>
Net Assets						
Invested in capital assets	1,720,267					1,720,267
Restricted by bond indenture			199,255,989		24,070,511	223,326,500
Restricted by funding source		32,719,231				32,719,231
Unrestricted	69,936,489	676,552				70,613,041
Total net assets	<u>\$ 71,656,756</u>	<u>\$ 33,395,783</u>	<u>\$ 199,255,989</u>		<u>\$ 24,070,511</u>	<u>\$ 328,379,039</u>

See accompanying notes to financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2010**

	<u>General Fund</u>	<u>Federal and State Programs</u>	<u>Single Family Mortgage Program Fund</u>	<u>Multi-Unit Mortgage Program Fund</u>	<u>Home First Mortgage Program Fund</u>	<u>Total</u>
Operating revenues:						
Interest income on mortgage loans	\$ 232,704		\$ 49,343,572		\$ 253,931	\$ 49,830,207
Interest income on investments	1,315,703		9,594,156		1,453,520	12,363,379
Fee income	15,157,060					15,157,060
Federal and state program income		\$ 624,505,120				624,505,120
Net increase in fair value of investments	(101,509)		16,651,605		1,823,252	18,373,348
Other income	423,541					423,541
Total operating revenues	<u>17,027,499</u>	<u>624,505,120</u>	<u>75,589,333</u>		<u>3,530,703</u>	<u>720,652,655</u>
Operating expenses:						
Interest expense on bonds			46,218,693	\$ 1,222	494,442	46,714,357
Interest expense on bank loans	851,279					851,279
Amortization of debt issuance costs	29,268		1,566,891			1,596,159
Servicing fees on mortgage loans	9,084					9,084
Federal and state program expenses		604,117,721				604,117,721
Arbitrage expense			2,625,110			2,625,110
General and administrative expenses	12,820,229		2,421,223		69,999	15,311,451
Total operating expenses	<u>13,709,860</u>	<u>604,117,721</u>	<u>52,831,917</u>	<u>1,222</u>	<u>564,441</u>	<u>671,225,161</u>
Operating income (loss)	3,317,639	20,387,399	22,757,416	(1,222)	2,966,262	49,427,494
Nonoperating revenues:						
Other				1,222		1,222
Total nonoperating revenues				<u>1,222</u>		<u>1,222</u>
Income before transfers	3,317,639	20,387,399	22,757,416		2,966,262	49,428,716
Transfers	(516,025)	238,278	159,718		118,029	
Change in net assets	<u>2,801,614</u>	<u>20,625,677</u>	<u>22,917,134</u>		<u>3,084,291</u>	<u>49,428,716</u>
Net assets, beginning of year	<u>68,855,142</u>	<u>12,770,106</u>	<u>176,338,855</u>		<u>20,986,220</u>	<u>278,950,323</u>
Net assets, end of year	\$ <u>71,656,756</u>	\$ <u>33,395,783</u>	\$ <u>199,255,989</u>		\$ <u>24,070,511</u>	\$ <u>328,379,039</u>

See accompanying notes to financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

	<u>General Fund</u>	<u>Federal and State Programs</u>	<u>Single Family Mortgage Program Fund</u>	<u>Multi-Unit Mortgage Program Fund</u>	<u>Home First Mortgage Program Fund</u>	<u>Total</u>
Cash flows from operating activities:						
Cash receipts for services	\$ 12,366,002					\$ 12,366,002
Interest income on mortgage loans	237,204		\$ 49,965,893		\$ 110,164	50,313,261
Principal repayments on mortgage loans	692,927		189,853,076		44,938	190,590,941
Interest received on investments	1,411,510		9,809,245		1,454,198	12,674,953
Federal revenue		\$ 602,548,784				602,548,784
Federal expenses		(605,821,700)				(605,821,700)
Cash payments to suppliers	(8,035,989)		(3,517,055)		(69,999)	(11,623,043)
Cash payments to employees	(4,190,210)					(4,190,210)
Interfund transfers	(517,974)	378,617	(38,672)		178,029	
Net cash provided by (used in) operating activities	<u>1,963,470</u>	<u>(2,894,299)</u>	<u>246,072,487</u>		<u>1,717,330</u>	<u>246,858,988</u>
Cash flows from noncapital financing activities:						
Proceeds from bond issues and bank loans	100,000,000				24,000,000	124,000,000
Debt issuance costs incurred					(507,652)	(507,652)
Purchases of mortgage loans			(55,905,802)		(39,272,514)	(95,178,316)
Repayments and redemption of bonds and bank loans	(307,475,000)		(217,175,000)	\$ (723,000)		(525,373,000)
Interest paid on bonds and bank loans	(915,336)		(51,765,029)	(1,222)	(46,590)	(52,728,177)
Contribution from Pedcor				724,222		724,222
Net cash used in noncapital financing activities	<u>(208,390,336)</u>		<u>(324,845,831)</u>		<u>(15,826,756)</u>	<u>(549,062,923)</u>
Cash flows from capital financing activities:						
Purchases of capital assets	(1,233,940)					(1,233,940)
Net cash used in capital financing activities	<u>(1,233,940)</u>					<u>(1,233,940)</u>
Cash flows from investing activities:						
Purchases of investments	(194,325,489)					(194,325,489)
Proceeds from sales or maturities of investments	398,935,582		117,478,888		219,954	516,634,424
Net cash provided by investing activities	<u>204,610,093</u>		<u>117,478,888</u>		<u>219,954</u>	<u>322,308,935</u>
Increase (decrease) in cash and cash equivalents	(3,050,713)	(2,894,299)	38,705,544		(13,889,472)	18,871,060
Cash and cash equivalents, beginning of year	<u>5,859,899</u>	<u>21,817,504</u>	<u>138,900,292</u>		<u>226,521,334</u>	<u>393,099,029</u>
Cash and cash equivalents, end of year	<u>\$ 2,809,186</u>	<u>\$ 18,923,205</u>	<u>\$ 177,605,836</u>	<u>\$</u>	<u>\$ 212,631,862</u>	<u>\$ 411,970,089</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended December 31, 2010

	General Fund	Federal and State Programs	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	Home First Mortgage Program Fund	Total
Reconciliation of cash and cash equivalents:						
Current unrestricted cash and investments as presented in the statement of net assets	\$ 4,386,076	\$ 676,552				\$ 5,062,628
Current restricted cash and investments as presented in the statement of net assets	100,124,822	18,246,653	\$ 177,605,836		\$ 212,631,862	508,609,173
Total cash and investments as presented in the statement of net assets	104,510,898	18,923,205	177,605,836		212,631,862	513,671,801
Less: current investments with maturities greater than three months	101,701,712					101,701,712
Cash and cash equivalents as presented in the statement of cash flows	\$ 2,809,186	\$ 18,923,205	\$ 177,605,836	\$	\$ 212,631,862	\$411,970,089
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 3,317,639	\$ 20,387,399	\$ 22,757,416	\$ (1,222)	\$ 2,966,262	\$ 49,427,494
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:						
Change in fair value of investments	101,509		(16,651,605)		(1,823,252)	(18,373,348)
Interest on bonds and bank loans	851,279		46,218,693	1,222	494,442	47,565,636
Amortization and write-off of debt issuance costs and discount amortization	29,268		1,566,891			1,596,159
Depreciation/Bond Call Prem expense	971,495					971,495
Changes in assets and liabilities:						
Commitment fee deposits	(32,735)					(32,735)
Principal repayments on mortgage loans	692,927		189,853,076		44,938	190,590,941
Accrued interest receivable on loans/investments	33,768		837,410		(143,089)	728,089
Other assets	(4,086,820)	(21,956,336)				(26,043,156)
Accounts payable and other liabilities	603,114	(1,703,979)	1,529,278			428,413
Interfund accounts	(1,949)	140,339	(198,390)		60,000	
Interfund transfer	(516,025)	238,278	159,718		118,029	
Net cash provided by (used in) operating activities	\$ 1,963,470	\$ (2,894,299)	\$ 246,072,487	\$	\$ 1,717,330	\$ 246,858,988

See accompanying notes to financial statements.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS

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

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

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

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

General Fund

The General Fund was established by the Authority to account for all fee income and charges that are not required to be recorded in other funds and for operating expenses of the Authority. In 2010, the Authority elected to set aside \$132,000,000 of its single family bonding authority for the issuance of Mortgage Credit Certificates primarily to first-time home buyers.

Federal and State Programs Fund

The Federal and State Programs Fund accounts for grant activity related to various Federal programs administered by the Authority. Prior to 2010, this activity was included in the General Fund.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - AUTHORIZING LEGISLATION AND FUNDS (CONTINUED)

Single Family Mortgage Program Fund

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

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

Multi-Unit Mortgage Program Fund

This fund, established in 1982 under the Multi-Unit Mortgage Program Resolution, uses bond proceeds to provide construction and long-term financing for certain federally assisted multi-unit housing developments intended for occupancy by families and persons of low and moderate incomes. The Authority has issued four series of Multi-Unit Program Bonds and is the special purpose issuer for two series (see Note 7).

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

In August 1997, the Authority, as a special purpose issuer, issued \$10,000,000 of Multi-Family Housing Mortgage Revenue Bonds (Cumberland Crossing) under a separate closed indenture, which are included in these financial statements as the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds were used to originate a mortgage loan to construct a new multi-family residential rental facility containing 232 apartment units. The expended funds are subject to the terms of a loan agreement dated July 1, 1997, and the bonds are secured by two letters of credit issued by the Federal Home Loan Bank that expire August 21, 2014. Pedcor Investments 1997 XXX LP (Pedcor) is responsible for the bond payments from a source of funds outside of the Authority. During 2010, Pedcor contributed \$724,222 in order for the full amount of the bond payments to be made. In addition, the remaining \$723,000 of outstanding bond payable was paid off during 2010.

Home First Mortgage Program Fund

Established in December of 2009, the objective of this program is to provide funds for long-term mortgage financing of residential housing for occupancy by eligible persons in the State, and thereby encourage the purchase and construction of residential housing by such persons.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

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

(b) Investment Securities

The Authority reports its investments securities, including mortgage-backed securities, at fair value. The realized and unrealized gains or losses are reported in the Statement of Revenues, Expenses and Changes in Net Assets. Realized gains or losses were computed as the difference between the proceeds of investment sales and the original cost of the investments sold. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in prior years and the current year. The realized gain in the General Fund amounted to \$29,126 for the year ended December 31, 2010.

Following is a summary of the effects of valuing investment securities at fair value on total assets, net assets and change in net assets for 2010:

	Total Assets	
	Fair value	Cost
General Fund	\$ 173,990,778	\$ 173,808,323
Federal and State Programs	47,300,578	47,300,578
Single Family Mortgage Program Fund	1,145,523,841	1,089,644,505
Multi-Unit Mortgage Program Fund		
Home First Mortgage Program Fund	273,957,932	270,617,652
Total	\$ 1,640,773,129	\$ 1,581,371,058

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Net Assets	
	Fair value	Cost
General Fund	\$ 71,656,756	\$ 71,474,301
Federal and State Programs	33,395,783	33,395,783
Single Family Mortgage Program Fund	199,255,989	143,376,653
Home First Mortgage Program Fund	24,070,511	20,730,231
Total	\$ 328,379,039	\$ 268,976,968

	Income Before Transfers	
	Fair value	Cost
General Fund	\$ 3,317,639	\$ 3,448,274
Federal and State Programs	20,387,399	20,387,399
Single Family Mortgage Program Fund	22,757,416	6,105,811
Home First Mortgage Program Fund	2,966,262	1,143,010
Total	\$ 49,428,716	\$ 31,084,494

(c) Bond Issuance Costs

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

(d) Original Issue Discounts

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

(e) Original Issue Premiums

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

(f) Capital Assets

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Balance at December 31, 2009	Increases	Decreases	Balance at December 31, 2010
Building improvements	\$ 45			\$ 45
Furniture and equipment	4,231	\$ 1,234		5,465
Total accumulated depreciation	<u>(2,818)</u>	<u>(972)</u>		<u>(3,790)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>\$ 1,458</u>	<u>\$ 262</u>		<u>\$ 1,720</u>

(g) Fair Value of Financial Instruments

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

(h) Operating Revenues

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

(i) Fee Income

Nonrefundable fees received (commitment and buy-down fees) in excess of direct costs associated with originating mortgage loans are deferred and recognized over the life of the mortgage loans. Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Low Income Housing Tax Credit fees are recognized as applications are submitted. The Authority also receives certain administrative fees for a federal grant program that are recorded as earned.

(j) 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, as described in Note 6. The remaining loans have been pooled into Fannie Mae, Freddie Mac, or GNMA mortgage-backed securities that ensure the timely payment of principal and interest on the underlying mortgage loans.

(k) Allocation of Expenses Among Funds

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less.

(m) Use of Estimates

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

(n) Net Assets

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

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

(o) Use of Restricted and Unrestricted Resources

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

(p) Reclassifications

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

(q) Overdraws of Section 8 Housing Assistance Fund

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

(r) Subsequent Events

The Authority has evaluated the financial statements for subsequent events occurring through April 28, 2011, the date the financial statements were available to be issued. See Note 7.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - RESTRICTED CASH AND INVESTMENTS

The Trust Indentures between the Authority and the Program Trustee established special accounts for the segregation of assets and restriction of the use of bond proceeds and certain other funds received. As of December 31, 2010, the assets of all accounts equaled or exceeded the requirements as established by the Indentures. Such assets are restricted for the following purposes:

	General Fund	State and Federal Programs	Single Family Mortgage Program Fund	Home First Mortgage Program Fund	Total
Refundable Reservation Fee Escrow Accounts	\$ 124,822				\$ 124,822
Loan or Bond Proceeds Accounts – Payment of issuance costs and purchase of qualified mortgage loans			\$ 98,887	\$ 210,452,555	210,551,442
Revenue Accounts – Deposit of Program revenues for debt service payments and Program expense disbursements			200,113,767	234,994	200,348,761
Mortgage Reserve Accounts – Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement			2,205,972		2,205,972
Debt Service Reserve Accounts – Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds			9,700,581		9,700,581
Home First Indenture Reserve Account - Established to support the Home First Indenture. Funds may be spent as the Authority deems necessary in order to support the Home First Indenture.				21,644,581	21,644,581
Draw downs on line of credit	100,000,000				100,000,000
Federal programs funds		\$ 16,925,460			16,925,460
State programs funds		1,321,193			1,321,193
	\$ 100,124,822	\$ 18,246,653	\$ 212,119,207	\$ 232,332,130	\$ 562,822,812

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND INVESTMENTS

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

		<u>Fair Value</u>		<u>Cost</u>
Cash and money market funds	\$	411,970,089	\$	411,970,089
Certificates of deposit		100,100,000		100,100,000
U.S. Treasury Bonds and Notes		1,108,542		820,000
Federal agency obligations		82,102,179		79,212,675
Guaranteed investment contracts and other		24,762,489		24,762,489
	\$	<u>620,043,299</u>	\$	<u>616,865,253</u>

Investment Policy

General

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

Indentures

The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2010, all investments held by the Authority were in compliance with the requirements of the Indentures.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure

As of December 31, 2010, the Authority had the following investments and maturities. (Amounts are in thousands.)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 100,100	\$ 100,100			
U.S. Treasuries	1,109				\$ 1,109
U.S. agencies	82,102	1,602	\$ 14,966	\$ 13,017	52,517
Guaranteed Investment Contracts	24,762				24,762
Total	\$ <u>208,073</u>	\$ <u>101,702</u>	\$ <u>14,966</u>	\$ <u>13,017</u>	\$ <u>78,388</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$620.1 million in cash and investments, \$21.3 million includes bank balances that are not collateralized or insured but were held by the Authority's banks at December 31, 2010.

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:

	<u>S & P</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Fair Value</u>
Bonds	AAA	AAA	Aaa	\$ 82,102
Guaranteed Investment Contracts	unrated	unrated	unrated	24,762
Total Rated Investments				\$ <u>106,864</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

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

Issuer	Percent of Total Investments
JP Morgan Chase	16.24%

NOTE 5 – ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable and other assets at December 31, 2010, were as follows:

General Fund:	
Loans Provided to Subrecipients of Certain Programs	\$ 3,407,361
Other Accounts Receivable and Assets	2,330,355
	<u>\$ 5,737,716</u>
Amount Not Scheduled for Collection During the Subsequent Year	<u>\$ 3,473,215</u>
Federal and State Programs:	
Section 1602 Tax Credit Exchange Program Loans	\$ 182,561,265
Tax Credit Exchange Program Loans	27,117,275
Rural Rental Housing Loans	490,042
Reimbursements Due from Other Governments	7,643,596
	<u>217,812,178</u>
Less: Allowance for Uncollectible Loans	<u>(182,561,265)</u>
	<u>\$ 35,250,913</u>
Amount Not Scheduled for Collection During the Subsequent Year	\$ 210,168,582
Less: Allowance for Uncollectible Loans	<u>(182,561,265)</u>
	<u>\$ 27,607,317</u>

The Section 1602 Tax Credit Exchange Program Loans are forgivable loans, as long as borrowers comply with the provisions of the related agreements. Therefore, these loans are included in the allowance for uncollectible loans. The Authority believes all other accounts receivable are collectable; therefore no additional provision for uncollectible balances has been made.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - MORTGAGE LOANS RECEIVABLE

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

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

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

The proceeds of the 2001 through 2010 Single Family bonds were used to purchase GNMA and FNMA certificates collateralized by mortgage loans approved under the guidelines of the Single Family Mortgage Program.

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - MORTGAGE LOANS RECEIVABLE (CONTINUED)

The financing periods of the mortgage loans financed through the Single Family Mortgage Programs vary in duration from twenty-five to thirty years (principally thirty years). The financing rates at December 31, 2010, were as follows:

<u>Single Family Mortgage Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
2002 Series B	6.250% to 6.500%	5.665% to 6.000%
2002 Series C	5.750% to 6.500%	5.250% to 5.915%
2002 Series D	5.500% to 6.250%	4.915% to 5.750%
2003 Series A	5.250% to 6.250%	4.665% to 5.665%
2003 Series B	5.250% to 6.250%	4.665% to 5.750%
2003 Series C	5.500% to 6.000%	4.915% to 5.500%
2003 Series D	5.150% to 6.000%	4.650% to 5.415%
2004 Series A	5.150% to 6.000%	4.565% to 5.500%
2004 Series B	5.500% to 6.250%	4.915% to 5.750%
2004 Series C	4.990% to 5.750%	4.405% to 5.250%
2005 Series A	4.990% to 6.625%	4.490% to 6.040%
2005 Series B	4.990% to 5.750%	4.405% to 5.250%
2005 Series C	4.990% to 6.625%	4.405% to 6.125%
2006 Series A	4.990% to 6.625%	4.415% to 6.125%
2006 Series B	5.250% to 7.535%	4.665% to 6.950%
2006 Series C	5.125% to 6.625%	4.575% to 6.125%
2006 Series D	5.125% to 6.375%	4.540% to 5.875%
2007 Series A	5.125% to 6.375%	4.540% to 5.875%
2008 Series A	4.950% to 7.250%	4.450% to 6.750%
2010 Series A	4.200% to 5.875%	3.700% to 5.375%

GNMA and FNMA certificates, which are included in the mortgage loan receivable balances, are presented in the statement of net assets at fair value. All other loans are carried at cost. The table below summarizes the carrying value and cost of mortgage loans receivable.

	<u>Carrying value</u>	<u>Cost</u>
General Fund	\$ 2,124,626	\$ 2,124,626
Single Family Mortgage Program Fund	910,518,725	855,482,609
Home First Mortgage Program Fund	40,535,326	39,272,514
Total	<u>\$ 953,178,677</u>	<u>\$ 896,879,749</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE

Bonds payable at December 31, 2010 consist of (dollars in thousands):

Single Family Mortgage Program Fund	Original Amount	Balance
2001 Series A-1:		
Term bonds (5.35%), due 2020	\$ 2,045	\$ 195
	<u>2,045</u>	<u>195</u>
2001 Series A-2:		
Serial bonds (5.05% to 5.15%), due 2011 - 2013	5,895	145
Term bonds (5.60%), due 2021	4,085	395
Term bonds (5.70%), due 2031	7,695	750
PAC bonds (4.80%), due 2032	7,600	-
Term bonds (5.70%), due 2032	7,680	-
	<u>32,955</u>	<u>1,290</u>
2001 Series B-2:		
Serial bonds (4.60% to 4.70%), due 2011 - 2012	2,465	60
	<u>2,465</u>	<u>60</u>
2001 Series B-3:		
Term bonds (5.45%), due 2021	2,500	-
Term bonds (5.45%), due 2021	4,480	275
Term bonds (5.55%), due 2033	8,220	-
Term bonds (5.55%), due 2033	11,000	670
	<u>26,200</u>	<u>945</u>
2002 Series A:		
Serial bonds (4.60% to 5.00%), due 2011 - 2014	7,510	295
Term bonds (5.30%), due 2022	6,340	135
Term bonds (5.35%), due 2027	5,845	-
Term bonds (5.45%), due 2033	5,000	100
Term bonds (5.45%), due 2033	5,305	-
PAC bonds (4.50%), due 2033	10,000	-
	<u>40,000</u>	<u>530</u>
2002 Series B:		
Serial bonds (4.60% to 4.70%), due 2011 - 2012	6,930	525
Term bonds (5.45%), due 2022	3,000	-
Term bonds (5.45%), due 2022	5,435	1,715
Term bonds (5.55%), due 2031	4,000	-
Term bonds (5.55%), due 2032	10,310	3,270
PAC bonds (4.50%), due 2032	10,325	205
	<u>40,000</u>	<u>5,715</u>
2002 Series C-1:		
Serial bonds (4.10% to 4.30%), due 2011 - 2013	2,235	560
	<u>2,235</u>	<u>560</u>
2002 Series C.-2:		
Serial bonds (4.70% to 4.85%), due 2013 - 2014	6,410	430
Term bonds (5.25%), due 2023	7,815	2,960
Term bonds (5.40%), due 2030	9,625	3,660
PAC bonds (4.15%), due 2033	11,860	400
Term bonds (5.40%), due 2033	7,745	-
	<u>43,455</u>	<u>7,450</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance
2002 Series D-1:		
Taxable term bond (floating rate), due 2033	\$ 5,000	\$ 515
	<u>5,000</u>	<u>515</u>
2002 Series D-2:		
Serial bonds (3.85% to 4.05%), due 2011 - 2013	9,105	1,445
Term bonds (4.85%), due 2022	5,900	3,675
Term bonds (4.85%), due 2023	2,500	-
Term bonds (4.95%), due 2032	5,560	-
PAC bonds (3.60%), due 2032	11,435	820
Term bonds (4.95%), due 2033	5,500	3,420
	<u>40,000</u>	<u>9,360</u>
2003 Series A:		
Serial bonds (4.05% to 4.35%), due 2011 - 2013	7,185	1,220
Term bonds (4.90%), due 2022	4,945	2,725
Term bonds (4.90%), due 2023	3,000	1,650
Term bonds (4.95%), due 2034	17,570	9,660
PAC bonds (4.70%), due 2034	12,250	1,625
	<u>44,950</u>	<u>16,880</u>
2003 Series B:		
Serial bonds (3.10% to 3.90%), due 2011 - 2016	3,805	2,260
Term bonds (4.25%), due 2024	8,015	5,300
Term bonds (4.40%), due 2033	7,070	4,675
Term bonds (4.40%), due 2034	7,000	3,575
PAC bonds (4.00%), due 2034	19,060	4,635
	<u>44,950</u>	<u>20,445</u>
2003 Series C-1:		
Serial bonds (3.75% to 4.45%), due 2011 - 2016	3,785	2,110
	<u>3,785</u>	<u>2,110</u>
2003 Series C-2:		
Serial bonds (4.10% to 4.35%), due 2011 - 2013	3,155	270
Term bonds (5.10%), due 2024	3,810	2,265
Term bonds (5.10%), due 2024	3,810	2,280
Term bonds (5.20%), due 2034	7,605	4,550
Term bonds (5.20%), due 2034	7,605	4,545
PAC bonds (5.00%), due 2034	15,180	3,185
	<u>41,165</u>	<u>17,095</u>
2003 Series D-1:		
Serial bonds (3.75% to 4.20%), due 2011 - 2014	5,355	2,610
	<u>5,355</u>	<u>2,610</u>
2003 Series D-2:		
Serial bonds (3.35% to 3.40%), due 2009	4,305	
Term bonds (4.85%), due 2023	5,715	3,465
Term bonds (4.85%), due 2023	5,380	3,260
Term bonds (4.90%), due 2029	5,305	3,215
Term bonds (4.90%), due 2029	5,400	3,265
PAC bonds (5.25), due 2033	10,500	2,355
Term bonds (4.95%), due 2034	8,205	4,970
	<u>44,810</u>	<u>20,530</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance
2004 Series A-1:		
Serial bonds (3.50% to 3.90%), due 2014 - 2017	\$ 2,920	\$ 1,950
Term bonds (4.20%), due 2019	1,360	890
	<u>4,280</u>	<u>2,840</u>
2004 Series A-2:		
Serial bonds (3.25% to 3.80%), due 2011 - 2014	9,210	2,505
Term bonds (4.45%), due 2024	4,265	2,775
Term bonds (4.45%), due 2025	4,265	2,780
PAC bonds (5.00%), due 2034	9,630	2,400
Term bonds (4.60%), due 2034	9,175	6,030
Term bonds (4.60%), due 2035	9,175	6,025
	<u>45,720</u>	<u>22,515</u>
2004 Series B-1:		
Serial bonds (4.40% to 4.70%), due 2014 - 2017	4,275	2,490
	<u>4,275</u>	<u>2,490</u>
2004 Series B-2:		
Serial bonds (4.75%), due 2014	2,605	95
Term bonds (4.30%), due 2014	4,365	1,585
Term bonds (4.30%), due 2014	4,370	1,495
PAC bonds (5.25%), due 2034	18,880	5,740
	<u>30,220</u>	<u>8,915</u>
2004 Series B-2A:		
Term bonds (5.15%), due 2025	6,965	4,080
Term bonds (5.15%), due 2025	6,965	4,080
Term bonds (5.20%), due 2029	4,930	2,890
Term bonds (5.20%), due 2029	4,925	2,890
Term bonds (5.30%), due 2035	10,860	6,360
Term bonds (5.30%), due 2035	10,860	6,365
	<u>45,505</u>	<u>26,665</u>
2004 Series C-1:		
Serial bonds (3.80% to 4.10%), due 2014 - 2017	5,200	3,465
Term bonds (4.35%), due 2020	1,295	900
	<u>6,495</u>	<u>4,365</u>
2004 Series C-2:		
Serial bonds (3.75% to 4.10%), due 2011 - 2013	8,140	2,270
Term bonds (4.70%), due 2025	7,720	5,335
Term bonds (4.85%), due 2029	7,065	4,885
PAC bonds (5.00%), due 2034	9,680	3,315
Term bonds (4.90%), due 2035	10,900	7,530
	<u>43,505</u>	<u>23,335</u>
2005 Series A-1:		
Serial bonds (3.90% to 4.20%), due 2014 - 2017	2,940	1,850
Term bonds (4.375%), due 2020	1,620	1,030
	<u>4,560</u>	<u>2,880</u>
2005 Series A-2:		
Serial bonds (4.05% to 4.30%), due 2013 - 2015	695	245
PAC bonds (5.00%), due 2035	22,755	13,690
Term bonds (4.65%), due 2035	28,615	15,485
	<u>52,065</u>	<u>29,420</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance
2005 Series B-1:		
Serial bonds (3.90% to 4.15%), due 2014 - 2017	\$ 4,565	\$ 1,675
Term bonds (4.30%), due 2020	1,660	620
	<u>6,225</u>	<u>2,295</u>
2005 Series B-2:		
Serial bonds (3.80% to 4.30%), due 2011 - 2015	12,960	2,350
Term bonds (4.625%), due 2025	480	175
Term bonds (4.75%), due 2030	400	145
PAC bonds (5.00%), due 2036	27,220	15,775
Term bonds (4.80%), due 2036	715	265
Term bonds (variable rate), due 2036	32,000	32,000
	<u>73,775</u>	<u>50,710</u>
2005 Series C-1:		
Serial bonds (4.00% to 4.25%), due 2013 - 2016	5,765	2,615
Term bonds (4.55%), due 2020	4,035	1,835
	<u>9,800</u>	<u>4,450</u>
2005 Series C-2:		
Serial bonds (4.05% to 4.25%), due 2011 - 2013	7,410	1,475
Term bonds (4.85%), due 2026	980	445
Term bonds (5.00%), due 2031	1,030	365
PAC bonds (5.00%), due 2036	24,600	12,560
Term bonds (5.05%), due 2037	4,180	1,895
Term bonds (variable rate), due 2036	32,000	32,000
	<u>70,200</u>	<u>48,740</u>
2006 Series A-1:		
Serial bonds (4.00% to 4.40%), due 2011 - 2016	18,365	5,385
Term bonds (4.75%), due 2026	2,215	995
Term bonds (4.85%), due 2030	1,465	660
Term bonds (5.25%), due 2037	35,065	22,465
Term bonds (4.90%), due 2037	2,890	1,285
	<u>60,000</u>	<u>30,790</u>
2006 Series A-2:		
Term bonds (variable rate), due 2037	40,000	40,000
	<u>40,000</u>	<u>40,000</u>
2006 Series B-1:		
Serial bonds (3.80% to 4.25%), due 2011 - 2016	17,795	8,255
	<u>17,795</u>	<u>8,255</u>
2006 Series B-2:		
Term bonds (4.80%), due 2021	13,230	8,245
Term bonds (4.90%), due 2026	16,755	10,040
Term bonds (4.95%), due 2031	22,620	14,880
Term bonds (5.00%), due 2037	34,125	22,450
Term bonds (5.50%), due 2037	26,500	16,175
Taxable PAC bonds (5.90%), due 2037	50,000	29,205
	<u>163,230</u>	<u>100,995</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance
2006 Series C-1:		
Serial bonds (3.95% to 4.35%), due 2011 - 2016	\$ 11,205	\$ 6,820
Term bonds (4.65%), due 2021	8,935	7,675
Term bonds (4.80%), due 2027	14,970	12,850
Term bonds (4.85%), due 2031	13,475	11,570
PAC bonds (5.75%), due 2037	10,000	6,505
Term bonds (4.90%), due 2037	27,865	23,925
	<u>86,450</u>	<u>69,345</u>
2006 Series C-2:		
Serial bonds	4,000	-
Term bonds (5.692%), due 2037	26,000	15,935
	<u>30,000</u>	<u>15,935</u>
2006 Series D-1:		
Serial bonds (3.90% to 4.20%), due 2011 - 2016	10,445	6,715
Term bonds (4.45%), due 2021	8,045	7,225
Term bonds (4.55%), due 2027	13,420	12,090
Term bonds (4.60%), due 2031	12,025	10,815
PAC bonds (5.50%), due 2038	16,000	10,750
Term bonds (4.625%), due 2038	30,065	17,025
	<u>90,000</u>	<u>64,620</u>
2006 Series D-2:		
Serial bonds (5.04% to 5.16%), due 2009 - 2013	2,920	-
Term bonds (5.25%), due 2016	2,035	-
Taxable bonds (5.409%), due 2038	25,045	17,955
	<u>30,000</u>	<u>17,955</u>
2007 Series A-1:		
Serial bonds (4.00% to 4.30%), due 2011 - 2015	4,580	3,005
Term bonds (4.170%), due 2014	2,210	2,070
Term bonds (4.375%), due 2017	2,585	2,425
Term bonds (4.650%), due 2022	7,155	2,255
Term bonds (4.780%), due 2027	9,415	690
Term bonds (4.80%), due 2032	12,405	11,640
PAC bonds (5.50%), due 2038	9,030	6,825
Term bonds (4.875%), due 2039	22,620	21,220
	<u>70,000</u>	<u>50,130</u>
2007 Series A-2:		
Taxable serial bonds (5.05% to 5.40%), due 2011 - 2017	5,015	1,385
Taxable PAC bonds (5.505%), due 2039	24,985	19,530
	<u>30,000</u>	<u>20,915</u>
2008 Series A-1:		
Serial bonds (3.95%), due 2011	1,955	835
	<u>1,955</u>	<u>835</u>
2010 Series 08A-2:		
Term bonds (SIFMA plus 0.95%), due 2039	85,000	82,930
	<u>85,000</u>	<u>82,930</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Single Family Mortgage Program Fund	Original Amount	Balance
2008 Series A-3:		
Serial bonds (3.95% to 5.30%), due 2011 - 2018	\$ 22,920	\$ 19,990
Term bonds (5.95%), due 2023	7,015	6,120
Term bonds (6.125%), due 2029	11,165	9,740
Term bonds (6.25%), due 2033	13,370	11,670
Term bonds (6.45%), due 2040	18,370	16,025
	72,840	63,545
	\$ 1,593,265	\$ 902,160
Home First Mortgage Program Fund	Original Amount	Balance
2009 Series A:		
Taxable bonds (floating rate), due 2011 ⁽¹⁾	\$ 225,000	\$ 189,000
2009 Series A-1:		
Term bonds (3.01%), due 2041 ⁽¹⁾	36,000	36,000
2010 Series A:		
Serial bonds (0.55% to 3.55%), due 2011 - 2021	12,225	12,225
Term bonds (4.00%), due 2025	6,035	6,035
PAC bonds (4.50%), due 2028	5,740	5,740
	24,000	24,000
	\$ 285,000	\$ 249,000

(1) \$36,000 has been released from 2009 Series A and converted to 2009 Series A-1

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

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

Cumberland Crossing, a bond series within the Multi-Unit Mortgage Program Fund, is a conduit issue. All scheduled, advance and delinquent payments on mortgage loans, mortgage insurance and guaranty proceeds received by the Authority, and the earnings on investments of amounts held under the Bond Trust Indentures are pledged to secure the payment of these three bond series. The 1997 Series M-B Bonds have an adjustable rate that is currently remarketed on a weekly basis. During 2010, Pedcor contributed \$724,222 in order for the full amount of the bond payments to be made. In addition, the remaining \$723,000 of outstanding bond payable was paid off during 2010.

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

The 2009 Series A includes only taxable bonds.

The 2002 Series D-1 and 2010 Series 08A-2 are floating rate bonds. The interest rate on the 2002 Series D-1 bonds is three-month LIBOR plus .28% (0.57% at December 31, 2010) adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap which had a fair market value of approximately \$2,700 as of December 31, 2010 to protect the rate from exceeding 7.0%. The 2010 Series 08A-2 bond matures on December 1, 2013, and the interest rate is SIFMA plus .95% (1.29% at December 31, 2010) adjusted weekly.

Variable Rate Demand Bonds

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

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

The Authority has entered into a Standby Purchase Agreement ("SBPA") with JP Morgan to buy any bonds that are "put" back by the remarketing agents. Once these bonds are purchased by the SBPA provider, they are called "bank bonds". If the bonds are "bank bonds" for a period of 60 days from the purchase date, the "bank bonds" convert to a installment loan payable over a three-year period bearing an adjustable interest rate equal to the bank's rate per annum equal to (a) for the period from and including the Bank Purchase Date to and including the ninetieth (90th) day thereafter, the Base Rate from time to time in effect and (b) from and including the ninety-first (91st) day immediately following the related Bank Purchase Date and thereafter, the Base Rate from time to time in effect plus 1.0% ("Base Rate" means the highest of (a) the Prime Rate plus 1.5%; (b) the Federal Funds Rate plus 2.0%; and (c) 8.5 %.).

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Variable Rate Demand Bonds (Continued)

The 2005 Series B-2 and 2005 Series C-3 SBPA expires on August 8, 2012, while the 2006 Series A-2 SBPA expires on December 1, 2013. If the SBPA were to be exercised because any portion of demand bonds was "put" and not resold, the bonds shall be subject to mandatory redemption in equal semi-annual principal installments plus interest, so that such bonds are paid in full within three years.

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

The Single Family 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 \$217,898,000 of bonds in 2010 from prepayments that had been received. The bond redemptions resulted in write-offs of unamortized discount and deferred debt issuance costs related to the redeemed bonds.

At December 31, 2010, the Authority had one line of credit borrowing totaling \$100,000,000, which represents the maximum amount available under this agreement. This line of credit had an interest rate of 0.33% and matured on February 4, 2011. Subsequent to December 31, 2010, payments of \$64,000,000 were made on the line of credit. On April 6, 2011, the line of credit was extended through June 16, 2011 with an interest rate of 0.34%. The maximum amount available was also reduced to \$36,000,000.

The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2010 and thereafter (all amounts in thousands). The Authority typically has significant prepayments of principal amounts and therefore does not expect to make all interest payments in their scheduled amounts.

	Single Family Mortgage Program Fund		Home First Mortgage Program Fund		Total		Total Payments
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 15,695	\$ 42,456	\$ 189,565	\$ 1,772	\$ 205,260	\$ 44,228	\$ 249,488
2012	15,740	41,817	1,140	1,860	16,880	43,677	60,557
2013	16,135	41,156	1,155	1,846	17,290	43,002	60,292
2014	17,005	40,455	1,180	1,829	18,185	42,284	60,469
2015	17,275	39,707	1,205	1,806	18,480	41,513	59,993
2016-2020	112,895	184,207	6,605	8,531	119,500	192,738	312,238
2021-2025	149,125	153,692	8,065	7,259	157,190	160,951	318,141
2026-2030	199,195	113,584	10,205	5,456	209,400	119,040	328,440
2031-2035	244,025	59,805	12,750	3,664	256,775	63,469	320,244
2036-2040	115,070	9,952	15,420	1,571	130,490	11,523	142,013
2041-2045			1,710	26	1,710	26	1,736
Original issue premium	7,029				7,029		7,029
Original issue discount							
Total	\$ 909,189	\$ 726,831	\$ 249,000	\$ 35,620	\$ 1,158,189	\$ 762,451	\$ 1,920,640

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Summary of long-term debt as of December 31, 2010 (dollars in thousands):

<u>Interest rate ranges</u>	<u>Maturity range</u>	<u>Annual payment range of principal</u>	<u>Amount</u>
0.55% - 6.45%	2011 - 2041	\$1,710 - \$205,260	\$1,151,160

Changes in Obligations

The following are changes in the obligations of the Authority for the year ended December 31, 2010:

Short-term obligations (in thousands):

	<u>Balance at December 31, 2009</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance at December 31, 2010</u>
Line of credit	\$ 307,475,000	\$ 100,000,000	\$ 307,475,000	\$ 100,000,000

Long-term obligations (in thousands):

	<u>Balance at December 31, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2010</u>	<u>Amounts due within one year</u>	<u>Amounts due thereafter</u>
Bonds payable/notes payable \$	1,345,058	\$ 24,000	\$ 217,898	\$ 1,151,160	\$ 205,260	\$ 945,900
Add original premium	9,159	440	2,130	7,469		7,469
Other liabilities	1,096	2,625	1,096	2,625	2,171	454
	<u>\$ 1,355,313</u>	<u>\$ 27,065</u>	<u>\$ 221,124</u>	<u>\$ 1,161,254</u>	<u>\$ 207,431</u>	<u>\$ 953,823</u>

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Swap Agreements – Cash Flow Hedges

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

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

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BONDS PAYABLE (CONTINUED)

Swap Agreements - Cash Flow Hedges (Continued)

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

Terms, Fair Values, and Credit Risk: The terms, including, the fair values and credit ratings of the outstanding swaps as of December 31, 2010, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Authority's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds payable" category.

Associated Bond Series	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating S&P/ Moody's / Fitch
2005 Series B-2 Swap	\$ 25,520,000	4/7/2010	3.626%	58% of 1 month LIBOR Plus 41 Basis Points	\$ (1,802,843)	7/2/2040	AAA/Aa1/N.A.
2005 Series C-3 Swap	31,585,000	6/2/2010	3.782%	58% of 1 month LIBOR Plus 41 Basis Points	(2,766,977)	7/2/2040	Aa3/A+/N.A.
2006 Series A-2 Swap	40,000,000	9/30/2010	3.954%	66.9% of 3 month LIBOR	(3,517,890)	1/2/2041	AAA/Aa1/N.A.
2010 Series 08A-2 Swap ⁽¹⁾	82,930,000	12/3/2012	3.445%	USD-SIFMA	(5,359,221)	7/2/2031	AA-/Aa1/AA
Total	<u>\$ 180,035,000</u>				<u>\$(13,446,931)</u>		

Fair Value: Because interest rates declined, all swaps had a negative fair value as of December 31, 2010. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Authority's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

Credit Risk: As of December 31, 2010, the Authority was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Authority would be exposed to credit risk in the amount of the derivatives' fair value.

Although the Authority executes swap transactions with various counterparties, approximately 45% of the notional amount of swaps outstanding are held by one counterparty. That counterparty is rated AA-/Aa1/AA. The remaining three swaps are held by two different counterparties.

Basis Risk: The Authority is exposed to basis risk on the swaps when the variable payment received is based on an index other than SIFMA. As of December 31, 2010, the SIFMA rate was .34%, whereas 1 month LIBOR was .26063% and 3 month LIBOR was .30281%.

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

Rollover risk: The Authority is exposed to rollover risk on swaps that mature or may be terminated prior to the maturity of the associated debt. When these swaps terminate, the Authority will not realize the synthetic rate offered by the swaps on the underlying debt issues. The 2010 Series 08A-2 is exposed to termination risk since the swap termination date precedes the debt maturity date.

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.

⁽¹⁾ The Authority renamed the 2008 Series A-2 bonds to 2010 Series 08A-2 as part of the conversion from AMT to non-AMT.

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

NOTE 7 - BONDS PAYABLE (CONTINUED)

Swap Agreements - Cash Flow Hedges (Continued)

Swap Payments and Associated Debt: As of December 31, 2010, debt service requirements of the Authority's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term and there are no mandatory redemptions under a SBPA, are as follows:

Year Ending December 31	<u>Variable- Rate Bonds</u>			
	Principal	Interest	Interest Rate, Swaps, Net	Total
2011		\$ 612,119	\$ 5,874,991	\$ 6,487,110
2012		612,119	5,874,991	6,487,110
2013		612,119	5,874,991	6,487,110
2014		612,119	5,874,991	6,487,110
2015-2019	\$ 8,275,000	3,031,389	29,063,485	40,369,874
2020-2024	33,920,000	2,678,061	25,609,338	62,207,399
2025-2029	43,295,000	2,025,202	19,338,451	64,658,653
2030-2034	53,055,000	1,228,845	11,697,356	65,981,201
2035-2039	41,490,000	317,739	2,976,781	44,784,520
Total	\$ 180,035,000	\$ 11,729,711	\$ 112,185,375	\$ 303,950,087

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - COMMITMENTS

As of December 31, 2010, the Authority had the following commitments:

Lease

Lease expense for 2010 was \$545,400. The Authority entered into a lease agreement for new office space in February 2003. The lease requires payments of \$43,913 per month (\$526,960 per year) for the ten-year term of the lease.

Excess Investment Earnings

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

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

	2010
Single Family Program	\$ 2,625,110

NOTE 9 - RETIREMENT PLAN

(a) Plan Description

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

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

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - RETIREMENT PLAN (CONTINUED)

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

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

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

(b) *Funding Policy*

The Authority contributes the participant's required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should a participant terminate employment. The Authority is required by State statute to contribute at an actuarially determined rate. The current rate is 7.0% of annual covered payroll. The contribution requirements of participants are determined by State statute.

(c) *Annual Pension Cost*

For the 2010 plan year, the Authority's annual contribution of \$234,975 was less than the required contribution of \$243,111. The PERF funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2009 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases based on PERF experience from 2000 to 2005; and (c) assumed annual post retirement benefit increases of 1.50%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a 30-year open period.

INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY
REQUIRED PENSION SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
December 31, 2010
(Unaudited)

<u>Asset valuation date</u>	<u>(1) Actuarial value of assets</u>	<u>(2) Actuarial accrued liability (AAL) entry age</u>	<u>(2-1) Unfunded (overfunded) AAL (UAAL)</u>	<u>(1/2) Funded ratio</u>	<u>(3) Covered payroll</u>	<u>[(2-1)/3] UAAL as a percentage of covered payroll</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>
June 30, 2010	\$ 1,316,000	\$ 1,950,000	\$ 634,000	67%	\$ 3,928,000	16%	\$ 219,411	107%
June 30, 2009	1,372,000	1,579,000	207,000	87%	3,473,000	6%	206,092	104%
June 30, 2008	1,450,000	1,476,000	26,000	98%	3,148,000	1%	168,385	116%
June 30, 2007	1,227,000	1,207,000	(20,000)	102%	2,823,000	1%	134,003	109%
June 30, 2006	1,106,000	1,127,000	21,000	98%	2,195,000	1%	115,299	95%
June 30, 2005	1,179,000	1,203,000	24,000	98%	2,136,000	1%	96,158	88%
June 30, 2004	1,181,000	1,111,000	(70,000)	106%	2,226,000	3%	75,144	162%