STATE OF INDIANA

Drinking Water
State Revolving Fund
Loan Program

Annual Report
State Fiscal Year 2016
July 1, 2016

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2016 ANNUAL REPORT

Exhibits:

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2016 ANNUAL REPORT

I. INTRODUCTION

Pursuant to 40 CFR 35.3570, the State of Indiana (State), acting through its Indiana Finance Authority (Authority), submits an Annual Report for the Drinking Water State Revolving Fund Loan Program (DWSRF Loan Program) to the Regional Administrator of the U.S. Environmental Protection Agency (EPA), Region V.

This Annual Report is for State Fiscal Year (SFY) 2016 (July 1, 2015 - June 30, 2016). It is prepared in accordance with Section 1452 of the Safe Drinking Water Act (SDWA), as amended, 42 U.S.C. 300j-12, and with 40 CFR 35.3570.

II. STATE REVOLVING FUND (SRF) LOAN PROGRAM MANAGEMENT - 40 CFR 35.3570 (a)(3)(i)

Indiana Code 13-18-21 and 4-4-11 govern the establishment and administration of the DWSRF Loan Program by the Authority.

III. GOALS AND OBJECTIVES OF THE SFY 2016 INTENDED USE PLAN – 40 CFR 35.3570 (a)(1)

The purpose of the DWSRF Loan Program is to provide low-cost financial assistance to Indiana utilities to enable the construction of necessary and environmentally sound drinking water infrastructure; facilitate statewide compliance with state and federal drinking water standards; maintain a fiscally self-sufficient program as a continuing source of funding for improvement and protection of public health; and, conduct any other activity permitted by the SDWA.

To accomplish these intentions, the Authority set short-term and long-term goals and objectives as part of the SFY 2016 Intended Use Plan (IUP). A description of how the DWSRF Loan Program has achieved these goals or is working toward them is in Exhibit A.

In SFY 2016, the Authority chose to continue the Green Project Reserve (GPR) Sustainability Incentive Program, which provides an interest rate break incentive to State Revolving Fund participants that incorporate green project components into their projects. In SFY 2016, green projects accounted for 28%, or $3,348,535 of the 2016 Capitalization Grant. Exhibit B, Green Project Reserve by Capitalization Grant Year, lists participants that incorporated GPR projects.

A requirement of the 2016 Capitalization Grant is to disburse at least 20% (or $2,696,800) of the grant in the form of Additional Subsidization. Additional Subsidization may be in the form of principal forgiveness, negative interest rate loans, or grants. Furthermore, Additional Subsidization may be provided to disadvantaged communities at the DWSRF Loan Program's discretion as described in Section 1452 of the Safe Drinking Water Act. The allowable percentage is from 0% to 30% of the current capitalization grant. The revised 2016 Capitalization Grant was awarded on June 8, 2016 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2016 Capitalization Grant. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidization in the form of principal forgiveness. As of June 30, 2016, the DWSRF Loan Program has provided a total of $23.4 million dollars in Additional Subsidization from Capitalization Grants and met the Additional Subsidization goals of the 2010-2014 Capitalization grants and a portion of the Additional Subsidization goal for the 2015 Capitalization Grant. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant (Indiana SRF has four years in which to spend the Additional Subsidization), however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. Priority for Additional Subsidization was given to communities that could not otherwise afford such projects.

Another requirement of the Capitalization grant is to document projects that are categorized as Equivalency Projects. The purpose of Equivalency within the SRF programs is to allow states to select groups of loans the sum of which is equal to the amount of a capitalization grant to meet specific federal requirements for the program. For the DWSRF Loan Program these requirements include, meeting crosscutter requirements, single audit requirements, Federal Funding Accountability and Transparency Act reporting requirements, Disadvantaged Business Enterprises, and the Signage Requirement. Exhibit D, Equivalency Projects by Capitalization Grant Year, lists the equivalency projects and the equivalency requirements of the program in SFY 2016.

IV. ENVIRONMENTAL REVIEW– 40 CFR 35.3570 (a)(3)(xii-xiii)

All DWSRF Loan Program-funded projects and activities complied with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). A description of each project funded in SFY 2016 is attached in Exhibit E.

V. STATE MATCH – 40 CFR 35.3570 (a)(3)(ii)

The Authority has fully met its State Match requirements through the end of SFY 2016 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF Loan Fund). To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the EPA awarded $256,451,100 in federal Capitalization Grants the Authority was required to match through June 30, 2016.

The Authority utilized the State Program management set-aside in the 2015 Capitalization grant to complete drinking water goals. The program requires the state to provide an additional $1,000,000 in state match. The source of this required match was provided in equal parts from the 1993 Public Water System Supervision state provided overmatch and the 2015 Public Water System Supervision state-provided overmatch. Federal draws on this set-aside began in SFY 2016. More information on the State Program management set-aside program can be found in Exhibit Q of this report.

See Exhibit F for a history of the Capitalization Grants awarded to the DWSRF Loan Program. Exhibit G details State Match deposited in the DWSRF through the end of SFY 2016, the sources of such State Match, and how repayment of revenue bonds providing any such State Match has been and will continue to be managed in a manner consistent with federal and state law.

VI. BINDING COMMITMENTS – 40 CFR 35.3570 (a)(3)(iii)

During SFY 2016, the DWSRF Loan Program financed 11 loans totaling $38,270,000. Since the DWSRF Loan Program's inception in 1997, over 228 loans aggregating over approximately $640.8 million dollars have been financed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program ($283,663,100). For a summary of all financings by the DWSRF Loan Program during SFY 2016, see Exhibit H.

VII. EXPEDITIOUS AND TIMELY USE OF FUNDS – 40 CFR 35.3550 (l)

The DWSRF Loan Program is a leveraged program and has established itself as a highly rated borrower in the national bond market. The Authority has utilized its Capitalization Grants to leverage multiple series of bonds, aggregating over $211 million in outstanding principal as of June 30, 2016, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit I: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, and costs of issuance.

A. Interest Rates

The Authority recognizes the continued need to balance the level of subsidy with the inherent limited capacity of the DWSRF Loan Program to meet demand for loans and participant affordability constraints. This balancing is reflected in the Authority's present interest rate policy.

Interest rates applied to new loans are reset on the first business day of each January, April, July and October using a Base DWSRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90% of the average 20-year, AAA-rated general obligation bond Municipal Market Data (MMD) composite index for the most recent calendar month. The Base Rate is then discounted further based upon a participant's Median Household Income (MHI) from the 2009-2013 ACS 5-year estimate data and projected user rates. User rate information is reviewed by the DWSRF Loan Program staff to finalize a DWSRF Loan Program interest rate.

In SFY 2016, the DWSRF Loan Program offered interest rates ranging from a low of 2.00% to a high of 2.74% (See Exhibit J).

In SFY 2016, the subsidized DWSRF Loan Program interest rate provided an estimated savings of $10,244,168 to participants who closed a DWSRF Loan Program loan. See "SRF Savings" column Exhibit H for savings provided to each participant.

B. Terms
Consistent with applicable laws, all DWSRF Loan Program loans closed in SFY 2016 were structured with annual or semi-annual principal repayments that commenced no later than one year after expected completion of the proposed project and a final principal payment no later than 20 years after expected completion of the proposed project.

C. Other Assistance Provided
As of June 30, 2016, the DWSRF Loan Program has provided a total of $23,431,000 of Additional Subsidization in the form of principal forgiveness to 20 loan recipients during SFY 2010-2016. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received principal forgiveness. Priority for Additional Subsidization was given to communities that could not otherwise afford such projects.

The majority of funds required to be given as Additional Subsidization were provided to those communities that have a lower median household income and/or high post-project user rates. This allowed the DWSRF Loan Program to assist, as much as possible, communities that could not otherwise afford an SRF loan to receive the Additional Subsidization. The DWSRF Loan Program has not set a cap on the amount of principal forgiveness that a community may receive.

During SFY 2016, the DWSRF Loan Program did not provide any DWSRF Pooled Loans, a program that offers eligible participants the "AAA" interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

D. Administrative Fees – 40 CFR 35.3570 (a)(3)(ix)
The cost of financing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require participants to offset some of these costs through a Loan Closing Fee, which is $1,000 per participant. The DWSRF Loan Program may also assess a Non-Use Fee against participants for funds not used for project costs two years following a loan closing. In SFY 2016,

the DWSRF Loan Program collected $11,000 in Loan Closing Fees. To date, the DWSRF Loan Program has not collected any Non-Use Fees.

As permitted by 40 CFR Part 35 and the EPA Fee Policy dated October 20, 2005, effective November 13, 2015, the Authority implemented an SRF Fee for both the DWSRF Loan Program and the CWSRF Loan Program. The SRF Fees collected will be deposited in the Drinking Water Program Fund, a segregated account that is not designated as part of the accounts comprising the SRF Fund.

The SRF Fees accumulated may be used by the Authority on projects, needs, costs, or expenses (which may include the provision of state match for the SRF Fund) that support or further goals, purposes, or objectives of the Drinking Water SRF Loan Program and for various water quality activities. Such uses of accumulated SRF Fees may also include the purposes of the Supplemental Fund authorized pursuant to IC 13-18-21-21 through 29. Fees are collected and deposited as outlined in the SFY 2016 IUP.

The total amount in the Drinking Water SRF Fee Account as of June 30, 2016 was $1,903,012 with an unallocated balance of $1,001,881. Exhibit K outlines the expenditure of the SRF Fee Account in SFY 2016.

E. Transfers– 40 CFR 35.3570 (a)(3)(x)
The State permits transfers between the DWSRF Loan Program and the CWSRF Loan Program of Capitalization Grants and other funds held in or allocable to such funds to the extent permitted by the Clean Water Act (CWA) and the SDWA. There were no transfers in SFY 2016. For a historic summary of transfers, see Exhibit L.

F. Cross Collateralization – 40 CFR 35.3570 (a)(3)(xi)
To the extent permitted by the CWA and the SDWA, the State has cross-collateralized the CWSRF and the DWSRF Loan Programs to optimize capitalization requirements and to better manage the specific funding needs of projects.

Cross-collateralization maximizes the security for bonds issued by the State to capitalize the SRF Loan Programs. The State expects that any such transfers would occur at any time necessary to prevent a default on any such bonds and would be made between accounts established for like purposes and subject to like restrictions. Historically, no cross-collateralizations have been made.

The State expects to retain the flexibility to reimburse, on a cumulative net basis, any cross-collateralization transfers. Because cross-collateralization is a contingent security concept and transfers are not expected or planned to occur, the State does not expect cross-collateralization to affect negatively the funding capacity of the SRF Loan Programs. However, if such transfers occur and are not reimbursed, it may affect the Authority's ability to make additional loans it otherwise might have been able to make.

G. DWSRF Loan Program Financial Statements
The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2016, which ended June 30, 2016, the DWSRF Loan Program received an unmodified opinion from an independent auditor, as described in Exhibit M.

The DWSRF Loan Program is audited annually for compliance with the requirements set forth in the U.S. Office of Management and Budget (OMB) Circular A-133. Circular A-133 was consolidated into 2 CFR 200 Subpart F, the Uniform Administrative Requirements, Cost Principals and Audit Requirements for Federal Awards ("Super Circular"). Effective for non-federal entities on December 26, 2014. For SFY 2016, which ended June 30, 2016, the DWSRF Loan Program was determined to be "in compliance," as noted in the Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports. The A-133 Report is provided as Exhibit N.

H. Federal Requirements
The Authority has fulfilled all applicable federal requirements required by the SDWA including:

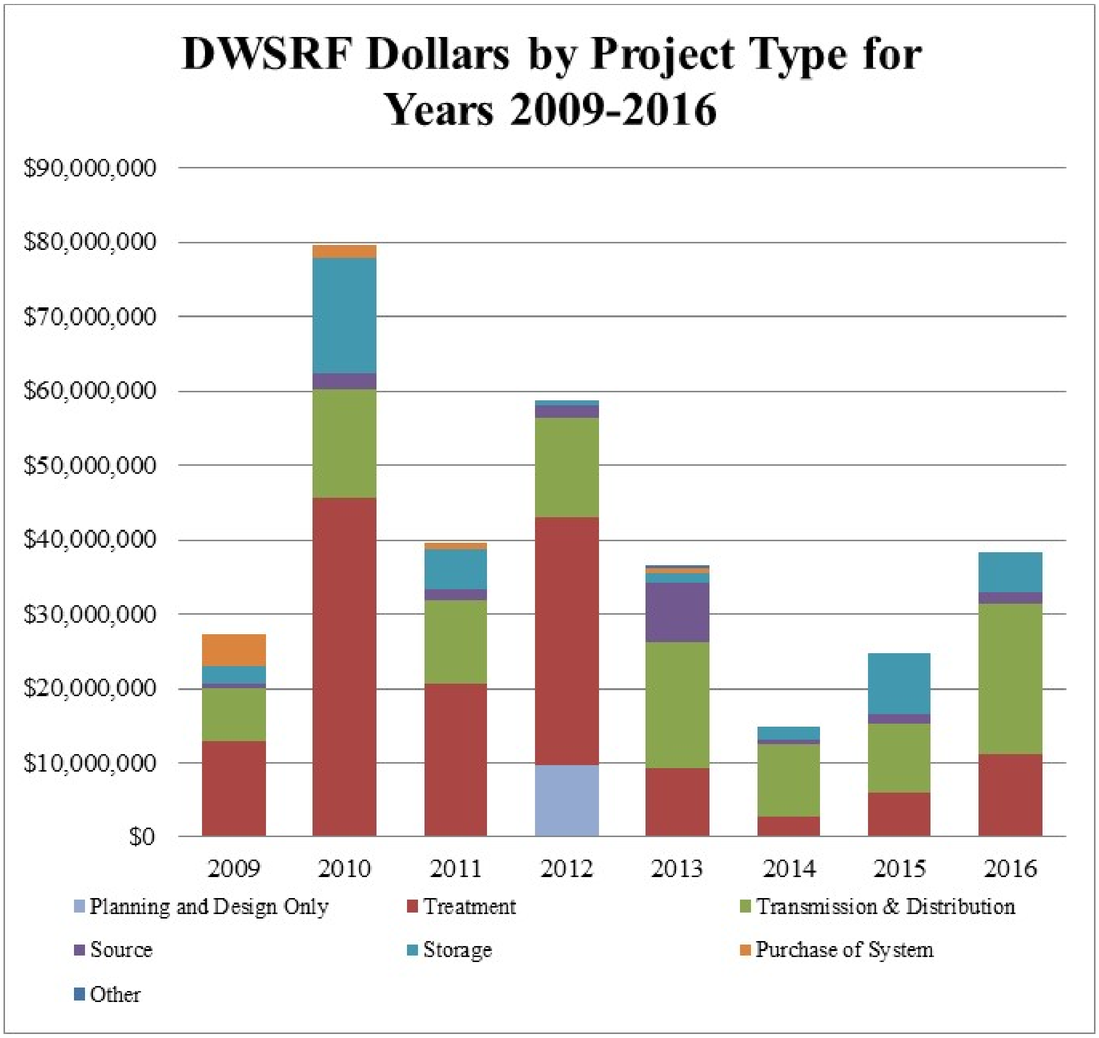
- assurances and certifications provided in the IUP have been met;
- closed loans equal more than the required 120% of each quarterly Capitalization Grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been done in accordance with federal and state law. All loans made during the SFY 2016 had related projects listed on the Authority's Drinking Water Project Priority List (PPL).
- beginning January 17, 2014 the Authority implemented the "American Iron and Steel" requirement as described in the Consolidated Appropriations Act of 2016.
- Beginning in SFY 2015 the Authority added one point to the SRF scoring system for projects that consider climate resiliency in planning and design.

I. Compliance with 40 CFR Part 31 – 40 CFR 35.3570 (a)(3)(xiv)
The DWSRF Loan Program complied with all requirements of 40 CFR Part 31.

VIII. PROJECTS FUNDED – 40 CFR 35.3570 (a)(3)(iv)

The scoring and ranking system of the DWSRF Loan Program focuses on those projects with the greatest public health need. A map showing the location of projects funded in SFY 2016 is attached as Exhibit O. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit P.

In 2016, DWSRF dollars were spent predominately on Transmission and Distribution projects. See *DWSRF Dollars by Project Type for Years 2009-2016*



IX. ELIGIBILITY – 40 CFR 35.3570 (a)(3)(v)

All projects were reviewed for eligibility. It is the goal of the DWSRF Loan Program to ensure that each project:

A. allows the participant to achieve or maintain compliance with the SDWA;
B. allows the participant to provide drinking water of adequate quality and quantity to residents;
C. allows the participant to achieve or maintain technical, financial, and managerial capacity;

D. does not cause environmental concerns for the Indiana Department of Environmental Management or other environmental review authorities. Prior to funding, each project was reviewed in accordance with the EPA-approved SERP.

In SFY 2016, 90% or $34,504,000 of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 10%, or $3,766,000, went towards projects that assisted non-compliant systems to achieve compliance.

X. SET-ASIDES – 40 CFR 35.3570 (a)(3)(vi)

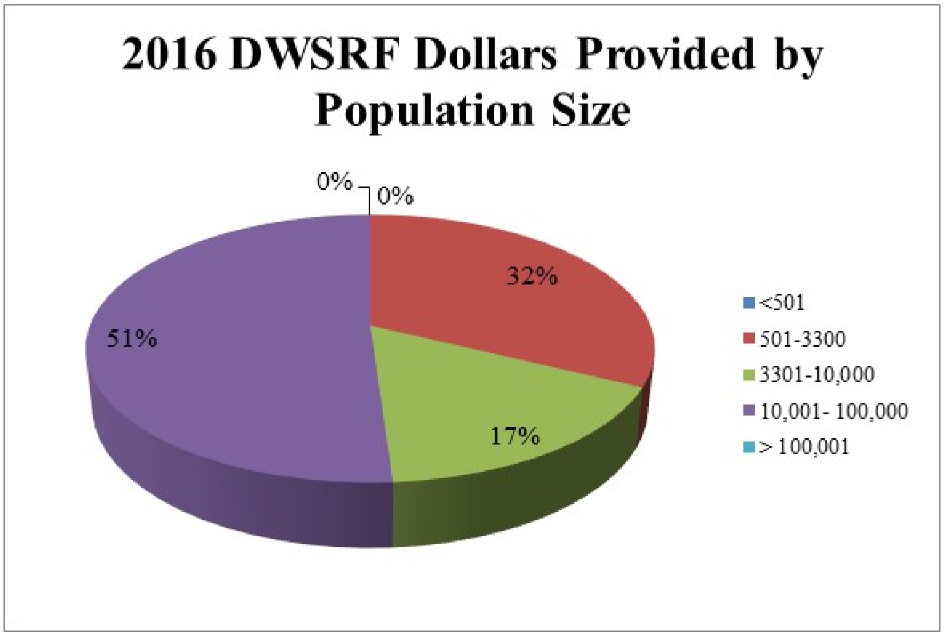
The Authority is responsible for managing the Set-Aside funds. See Exhibit Q for a summary of Set-Aside activities.

In SFY 2016, the Authority utilized the State Program management set-aside to complete drinking water goals. Under this program the Authority and third-party contractors conducted a survey of the operations of certain water utilities and are preparing an analysis of the planning and long range needs of the water utilities that serve the fifteen most populous cities in Indiana and five additional small water utilities serving less than 10,000 residents. The Authority is also coordinating with and assisting utilities in the completion of Surface Water Emergency Response Plans (SWERP) for each of the approximately 40 public water systems in the State that rely upon surface water and is completing a report that describes the State's water resources for the purpose of long term planning.

XI. ASSISTANCE TO SMALL SYSTEMS – 40 CFR 35.3570 (a)(3)(vii)

Of the total amount available for assistance from the DWSRF Loan Program each year, the Authority must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects. The Authority defines a small system as a public water system that regularly serves 10,000 or fewer persons. Furthermore, when the Authority provides assistance in an amount that is greater than 15% of the available funds in one year, it may credit the excess toward the 15% requirement in future years.

In SFY 2016, 49% of DWSRF funds went to systems serving fewer than 10,000 persons, as shown in *2016 DWSRF Dollars Provided by Population Size*. Cumulatively, the DWSRF Loan Program has provided 43% of its funds to small systems.



XII. DISADVANTAGED COMMUNITIES – 40 CFR 35.3570 (a)(3)(viii)

The Authority defines a disadvantaged participant as one with both 1) MHI below $38,598, as established by the 2009-2013 American Community Survey 5-Year Estimates, and 2) an estimated post project user rate greater than $45.00 per month. These communities are eligible to receive the lowest interest rate the Authority provides to DWSRF Loan Program participants. See Section VII.A of this Annual Report for a description of the DWSRF Loan Program's interest rate structure.

During SFY 2016, the Authority provided approximately $5,963,000 to four disadvantaged communities. The total disadvantaged population served was 16,149 persons.

Exhibit A

Goals and Objectives of the DWSRF Loan Program State Fiscal Year (SFY) 2016 Intended Use Plan

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during State Fiscal Year (SFY) 2016, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

During SFY 2016, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

ST1 Goal: Seek the immediate award of the Federal Fiscal Year (FFY) 2016 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2016 Capitalization Grant can promptly be utilized.

Result: The FFY 2016 Capitalization Grant was awarded to the Authority on June 8, 2016. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2016 Capitalization Grant was fully drawn, other than the amount reserved for Additional Subsidization and set-aside amounts.

ST1a Goal: Ensure that Additional Subsidization is provided pursuant to the terms and conditions of the current capitalization grant and as described in Section 1452 of the Safe Drinking Water Act (SDWA). Additional Subsidization may be provided in the form of principal forgiveness, negative interest loans or grants.

Result: The 2016 Capitalization Grant was awarded on June 8, 2016 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2016 Capitalization Grant. In SFY 2016, the Authority provided $1,731,000 of Additional Subsidization in the form of principle forgiveness to 3 loan recipients. As of June 30, 2016, the DWSRF Loan Program has provided a total of $23.4 million dollars in Additional Subsidization from the 2010-2015 Capitalization Grants, meeting the Additional Subsidization goals of the 2010-2014 Capitalization Grants , and providing 17% of the 2015 Capitalization Grant as Additional Subsidization. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, the Authority shall use its best efforts to spend the Additional Subsidization within two years of receiving the Capitalization Grant. See Exhibit C, Additional Subsidization by Capitalization Grant Year.

ST1b Goal: Ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under the 2016 Capitalization Grant.

Result: The DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to follow Davis Bacon wage rules. Further, each Participant provided the Authority with documentation certifying its compliance with Davis Bacon.

ST1c Goal: Ensure that all American Iron and Steel requirements (AIS) as set forth in the current Capitalization Grant are met.

Result: The DWSRF Loan Program reviewed the details of all closings in SFY 2016 to determine if the project needed to follow the requirements of the American Iron and Steel Act. In addition the DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to meet the requirements of the American Iron and Steel Act and provided guidance on the waiver process and requirements of the Act.

ST1d Goal: If practical, identify equivalency projects in Exhibit E (of the IUP). List equivalency projects in Annual Report.

Result: Equivalency projects were projected in the 2016 Intended Use Plan and the selected equivalency projects can be found in Exhibit D of this Annual Report.

ST2 Goal: Ensure that all DWSRF Loan Program participants achieve or maintain compliance with existing or future requirements of the Safe Drinking Water Act.

Result: In SFY 2016, 90% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 10%, or $3,766,000, went towards projects that assisted non-compliant systems to achieve compliance.

ST3 Goal: Conduct at least 30 technical, on site and/or virtual inspections between the CWSRF and DWSRF Loan Programs during the construction phase and the post-construction phase to document the construction progress, as well as the appropriate use of SRF funds.

Result: SRF Loan Program staff completed 37 inspections (25 clean water and 12 drinking water) in SFY 2016, thus exceeding its goal.

ST4 Goal: Work diligently with Participants and effectively manage Projects to assist Participants in closing loans and constructing projects in a timely, efficient manner.

Result: In SFY 2016, SRF Loan Program staff held project planning meetings, timely reviewed Preliminary Engineering Reports using SRF Work Plans and corresponded with Participants through the process to successfully close on 11 Drinking Water SRF loans. Requiring communities to bid prior to loan closing and providing a timeline assists communities to meet the 2-year construction goal implemented by the Authority.

B. Long-Term Goals and Objectives

LT1 Goal: Provide financial assistance to current and future Participants, by providing low-cost financing commensurate with prudent fiscal and credit standards.

Result: In SFY 2016, 11 DWSRF loans were closed. See Exhibit H, Summary of Closed Loans for SFY 2016.

LT2 Goal: Maintain the long-term financial integrity of the DWSRF by judiciously managing its assets in order to realize a rate of return that will sustain the DWSRF in perpetuity.

Result: The SRF Loan Program continues to manage the investment and programmatic use of its funds to maintain its financial integrity. See Exhibit I, Expeditious and Timely Use of Funds.

LT3 Goal: Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York Mellon Trust Company, ensure the DWSRF Loan Program continues to avoid loan defaults. In particular, review the financial statements for Participants receiving a State Board of Accounts examination report in the current calendar year. Require new Participants to utilize paying agent agreements and offer all prior Participants the opportunity to enter into a paying agent agreement. Conduct financial on-site visits as warranted.

Result: The SRF Loan Program monitors all Participants. For those Participants with a Paying Agent Agreement, the SRF Loan Program monitors both the debt service reserve accounts and the bond and interest accounts on a monthly basis. For Participants without a Paying Agent Agreement, the SRF Loan

Program annually monitors the reserve balances through its Debt Service Reserve project by requesting the reserve balance and a copy of each Participant's bank statement. If any deficiencies are found, the Authority works with the Participant to correct the deficiencies.

LT4 Goal: Leverage EPA Capitalization Grants to generate loans that exceed two-times the awarded grant amounts.

Result: The SRF Loan Program continues to access the public debt market to leverage EPA Capitalization Grants. This leveraging structure allows the SRF Loan Program to close loans in an aggregate amount of over two-times the awarded grant amounts.

LT5 Goal: Monitor Participant's draws of funds to assure loans are being drawn within two years. Assure that un-drawn funds are returned to the DWSRF loan pool and made available to other Participants, to minimize un-liquidated obligations.

Result: In order to minimize un-liquidated obligations, the SRF Loan Program continues to monitor Participants' expenditure rate. As loans are closed out and reamortized, unused loan funds are made available to other Participants on the Project Priority List. Communities with funds remaining following substantial completion are contacted to see if they are interested in using remaining funds to finance a new project or if they wish to close out their loan. In addition, the financial assistance agreement contains "non-use fee" language which allows the Authority the charge a fee to a community who has not drawn their loan funds in a timely manner.

LT6 Goal: Submit required reports to EPA in a well-prepared and timely manner.

Result: Intended Use Plans, Annual Reports, and National Infrastructure Management System data are well-prepared and submitted to EPA in a timely manner.

LT7 Goal: Ensure that EPA funds are accessed within one month of incurring eligible expenses to minimize un-liquidated obligations.

The 2016 Capitalization Grant was awarded on June 8, 2016. The 2016 Capitalization Grant will be accessed promptly as eligible expenses are incurred. A grant amendment is currently pending at the EPA, draws will be made once the amendment is finalized.

LT8 Goal: Periodically publish an SRF Loan Program newsletter.

Result: The SRF Loan Program published a newsletter in June of 2016.

LT9 Goal: Develop a software database for staff to reference financial information related to each SRF financing.

Result: The Authority continues to develop a software database for staff. The Authority engaged a new software vendor in SFY 2015 to provide a software that will meet the needs of the SRF Program. The software is currently in development with the vendor.

LT10 Goal: Coordinate the co-funding of an Indiana Finance Authority Brownfield Program and DWSRF Loan Program project.

Result: Although the Indiana Brownfields Program and DWSRF Loan Program staff tracked and discussed potential co-funding opportunities, a co-funded project did not come to fruition.

LT11 Goal: Report all uses of DWSRF funds in the Drinking Water Project Benefits Reporting (PBR) database and the Drinking Water SRF National Information Management System (NIMS) as required by the EPA and the Federal Funding Accountability and Transparency Act (FFATA).

Result: The Authority reports uses of DWSRF funds in PBR on a monthly basis and NIMS on a yearly basis, as required by EPA and the FFATA.

LT12 Goal: Ensure that the DWSRF Loan Program and its Participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters, the signage requirement, and the Single Audit Act.

Result: Through various reports, audits, and comment periods, the Authority ensures that the DWSRF Loan Program and its participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters, the signage requirement and the Single Audit Act (2 CFR 200 Subpart F "Super Circular").

LT13 Goal: Encourage the funding of green projects that qualify for the Green Project Reserve Sustainability Incentive.

Result: The Authority utilizes the Green Project Reserve (GPR) Sustainability Incentive Program to encourage Participants to include green projects components in their SRF projects. The GPR Sustainability Incentive Program provides two main benefits:

1) **Up to 0.5% interest rate discount over the entire loan and**
2) **Improved ranking on the SRF Project Priority List.**

In SFY 2016, green projects accounted for 28%, or $3,348,535 of the 2016 Capitalization Grant. See Exhibit B, Green Project Reserve by Capitalization Grant Year.

LT14 Goal: Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances. Continue the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate and reducing un-liquidated obligations. Coordinate with the Indiana Department of Environmental Management to develop new Set-Aside programs as needed.

Result: In order to reduce un-liquidated obligations, the Authority continues to reconcile Set-Aside balances and close out Capitalization Grants when appropriate. The Authority meets with the IDEM Drinking Water Branch as needed to discuss potential Set-Aside programs.

LT15 Goal: Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

Result: In SFY 2016, 48% of DWSRF funds went to systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 43% of its funds to small systems.

LT16 Goal: Complete an internal drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Projects.

Result: In SFY 2016, the SRF technical reviewers continued with drinking water technical training by conducting on-site inspections of water main installation/replacement projects and water facility improvements projects, attending drinking water technical sessions at the Indiana Section of the American Water Works Association conference and the Indiana Rural Water Association Conference.

LT17 Goal: Coordinate with the Indiana Department of Environmental Management's Drinking Water Branch to identify public water systems with Enforcement Targeting Tool (ETT) scores of 11 or greater that may benefit from DWSRF funding.

Result: The Authority coordinates with the IDEM's Drinking Water Branch and Enforcement Program by soliciting comments on Participants' applications, approval letters, and DWSRF Loan Program Project Priority Lists. In addition, the DWSRF Loan Program reviews the Drinking Water Branch's Enforcement Targeting Tool data quarterly and provides input on potential projects as needed.

LT18 Goal: Ensure that DWSRF assistance is provided to public water systems with an ETT score greater than or equal to 11, only when the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

Result: The DWSRF Loan Program compares DWSRF applications to data from the Drinking Water Branch's Enforcement Targeting Tool on a quarterly basis to ensure that any DWSRF assistance is provided to public water systems with an ETT score greater than or equal to 11, only when the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

Indiana DWSRF Loan Program

Exhibit B - Green Project Reserve by Capitalization Grant

DWSRF Loan Program 2016 Capitalization Grant =	$13,484,000	
Green Project Reserve Provided =	$3,710,857	28%

Community	Project Description	Total Project Cost	Total SRF Loan and Principal Forgiveness Amount	Green Project Description	Category 1: Green Infrastructure	Category 2: Water Efficiency	Category 3: Energy Efficiency	Category 4: Environmentally Innovative	Total Eligible GPR Cost (sum of Categories 1-4 plus engineering)	Business Case posted to the IFA website	Closing Date
Switz City	NPDES violations due to backwash. Connection to another WTP is proposed and includes installation of a new water main.	$ 846,000	846,000	high efficiency motors and VFDs and abandon existing wellfield			$ 18,822		**$ 18,822**	12/17/2015	12/3/2015
Middletown	WTP and wells have deteriorated. The project will include a new WTP and water wells.	$ 2,430,000	2,430,000	recycled materials, VFDs			$ 343,500		**$ 343,500**	6/1/2016	12/18/2015
Goshen	Age of collection system requires replacement.	$6,599,000	$6,599,000	water main replacement and leak detection equipment		$ 3,348,535			**$ 3,348,535**	9/14/2016	6/30/2016
2016 Capitalization Grant TOTAL									**$ 3,710,857**		

Indiana DWSRF Loan Program

Exhibit C - Additional Subsidization by Capitalization Grant

DWSRF Loan Program 2010 Capitalization Grant = **$22,638,000**
Additional Subsidization Required (30% to 100%) = $6,791,400 to $22,638,000
Additional Subsidization Goal = $7,000,000
Additional Subsidization Provided = $7,000,000 31%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Indianapolis Water Company (Unserved Areas project)	9/16/2010	$ -	$ 318,388	$ 318,388
Glenwood	10/13/2010	$ 269,000	$ 87,000	$ 356,000
Decatur County Rural Water	10/29/2010	$ -	$ 2,000,000	$ 2,000,000
Sugar Creek	10/29/2010	$ 264,000	$ 219,000	$ 483,000
And-Tro Water Authority	1/19/2011	$ 186,000	$ 1,236,000	$ 1,422,000
Walton	1/20/2011	$ 752,474	$ 2,889,000	$ 3,641,474
Ingalls	9/15/2011	$ 525,000	$ 250,612	$ 775,612
2010 Capitalization Grant TOTAL			**$7,000,000**	

DWSRF Loan Program 2011 Capitalization Grant = **$15,709,000**
Additional Subsidization Required (at least 30%) = $4,712,700
Additional Subsidization Goal = $5,000,000
Additional Subsidization Provided = $5,000,000 32%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
LaPorte	6/30/2011	$ 3,500,000	$ 2,325,000	$ 5,825,000
Yankeetown Water Authority	3/9/2012	$ -	$ 275,000	$ 275,000
Decatur County Rural Water	2/21/2013	$ -	$ 350,000	$ 350,000
Whitestown	6/19/2013	$ 3,200,000	$ 2,050,000	$ 5,250,000
2011 Capitalization Grant TOTAL			**$ 5,000,000**	

DWSRF Loan Program 2012 Capitalization Grant = **$14,970,000**
Additional Subsidization Required (20% to 30%) = $2,994,000 to $4,491,000
Additional Subsidization Goal = $3,000,000
Additional Subsidization Provided = $3,000,000 20%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Whitestown	6/19/2013	$ -	$ 1,450,000	$ 1,450,000
Reelsville Water Authority	5/29/2013	$ 2,865,000	$ 250,000	$ 3,115,000
Elnora	12/16/2013	$ 1,038,000	$ 1,300,000	$ 2,338,000
2012 Capitalization Grant TOTAL			**$ 3,000,000**	

DWSRF Loan Program 2013 Capitalization Grant = **$14,046,000**
Additional Subsidization Required (20% to 30%) = $2,809,200 to $4,213,800
Additional Subsidization Goal = $3,000,000
Additional Subsidization Provided = $3,000,000 21%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Elnora	12/16/2013	$ -	$ 2,650,000	$ 2,650,000
Bruceville	5/28/2014	$ 867,000	$ 330,000	$ 1,197,000
Gentryville	12/15/2014	$ 1,390,000	$ 20,000	$ 1,410,000
2013 Capitalization Grant TOTAL			**$ 3,000,000**	

DWSRF Loan Program 2014 Capitalization Grant = **$14,348,000**
Additional Subsidization Requirement (20% to 30%) = $2,869,600 to $4,304,400
Additional Subsidization Goal = $3,000,000
Additional Subsidization Provided = $3,000,000 21%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Schneider	10/16/2014	$ 229,000	$ 1,925,000	$ 2,154,000
Gentryville	12/15/2014	$ -	$ 1,075,000	$ 1,075,000
2014 Capitalization Grant TOTAL			**$ 3,000,000**	

DWSRF Loan Program 2015 Capitalization Grant* = **$14,253,000**
Additional Subsidization Required = $2,869,600 to $4,304,400
Additional Subsidization Goal = $3,000,000
Additional Subsidization Provided = $ 2,431,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Reynolds	5/28/2015	$ 498,000	$ 700,000	$ 1,198,000
Switz City	12/2/2015	$ 540,000	$ 306,000	$ 846,000
Hope	12/3/2015	$ 1,392,000	$ 925,000	$ 2,317,000
Morgantown	12/30/2015	$ 982,000	$ 500,000	$ 1,482,000
2015 Capitalization Grant TOTAL			**$ 2,431,000**	

DWSRF Loan Program 2016 Capitalization Grant* = **$13,484,000** **(rec. 6/8/2016)**
Additional Subsidization Required = $2,696,800 to $6,742,000
Additional Subsidization Goal = $3,000,000
Additional Subsidization Provided = $ -

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
to be determined				
2016 Capitalization Grant TOTAL			**$ -**	

TOTAL Additional Subsidization Provided **$23,431,000**

* Additional Subsidization goal has not yet been satisfied and will be updated in subsequent Annual Reports until the requirement has been met. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. The Authority has identified communities that are eligible to receive Additional Subsidization from the 2015 and 2016 grants.

DWSRF Loan Program FFY 2016 Capitialization Grant $13,484,000

Community	Project Description	Total Equivalency Amount	will submit DBE report	complied with federal cross-cutters	will comply with the single audit act 2 CFR 200 Subpart F	complied with signage requirement	reported to FSRS to meet FFATA requirements
Remington	Construction of a new DW treatment plant	$ 5,268,000	yes	yes	yes	Press Release - 12/21/2015	yes - 8/3/2016
Brown County	This project includes distribution mains, booster stations and a larger tank to replace the existing tank.	$ 8,113,000	yes	yes	yes	Press Release - 3/14/2016	yes - 8/3/2016
Goshen	Water Mains and WTP work	$ 103,000	yes	yes	yes	Press Release - 6/29/2016	yes - 8/3/2016
Equivalency Project Cost Total:		**$ 13,484,000**					

Exhibit E
SFY 2016 DWSRF Loan Program Project Descriptions

DWSRF Participant: Hope	
SRF Project #: DW15050302	DWSRF Loan Amount: $ 1,392,000
PWS ID #: IN5203006	Principal Forgiveness: $ 925,000
DWSRF Loan Closed: December 3, 2015	Total Loan and Principle Forgiveness: $2,317,000
NIMS Categories: Transmission & Distribution: $2,317,000	Estimated SRF Savings: $ 1,632,121 Affected Population: 2,075 Equivalency Amount: $ 0.00
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

Hope's water system was established in approximately 1935 portions of the cast iron distribution system installed at that time remain in service. The Town experiences failure rates between 40 to 60 failures per 100 miles per year.

The project will replace approximately 14,000 LF of 6-inch water main and 550 LF of 4-inch main to eliminate deteriorating main, eliminate dead ends by installing approximately 1,500 LF of new 6-inch water main, and replace all associated valves, hydrants and service connections. The project will also refurbish the existing interconnect with Eastern Bartholomew Water Company and control vault and install a second connection with the new control vault and meter.

The improvements will provide system redundancy, reduce water loss, address aging infrastructure, and improve drinking water system efficiency and reliability.

The Town of Hope has a 2014 annual average unemployment rate of 6.7%. MHI was also considered. Without Additional Subsidization the user rates for the utility customers would have been $62.06 per month and would have proven to be a hardship for this community.

DWSRF Participant: Switz City	
SRF Project #: DW15042801	DWSRF Loan Amount: $ 540,000
PWS ID #: IN5228009	Principal Forgiveness: $ 306,000
DWSRF Loan Closed: December 3, 2015	Total Loan and Principle Forgiveness: $846,000
NIMS Categories: Transmission & Distribution: $ 846,000	Estimated SRF Savings: $ 557,106
	Affected Population: 974
	Equivalency Amount: $ 0.00
This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.	

Project Description:

Switz City is currently under an Agreed Order with IDEM due to a lack of an NPDES permit for backwash water. The town would backwash their filters into an old brick structure which discharged to a field.

The proposed project consists of making a connection to the City of Linton's water system. This connection will begin at Linton's 12-inch water main by installing approximately 20,000 feet of 6-inch polyvinyl chloride water main along S.R. 54 from C.R. 900 West/Buck Creek Road to Chestnut Street in Switz City. A booster station with a rated capacity of 200 gallons per minute will also be constructed to pump water into the town's existing elevated water storage tank.

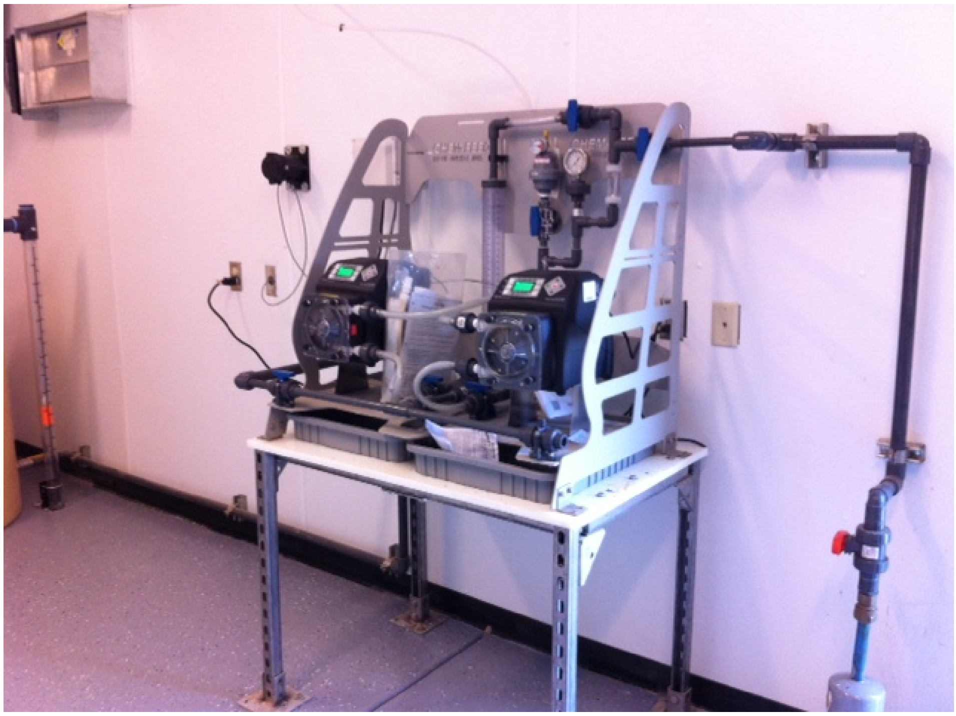
The purpose for the project is to address an Agreed Order from the Indiana Department of Environmental Management regarding the illegal discharge of the town's water treatment plant's (WTP) backwash water into a field. In addition, the town's WTP has exceeded its useful service life and would have to be replaced in the near future. The town evaluated their options and decided that it was more cost effective to abandon their WTP and supply wells and connect to Linton.

The Town of Switz City has an MHI of $25,227, lower than the State MHI of $48,248. The Town is experiencing a decreasing population and a 2013 annual average unemployment rate of 13.5%. The approved user rate after Additional Subsidization is $47.59. Without Additional Subsidization the user rates for the utility customers would have been a hardship for this community.

DWSRF Participant: Jasonville	
SRF Project #: DW15072801	DWSRF Loan Amount: $ 715,000
PWS ID #: IN5228004	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: December 18, 2015	Total Loan and Principle Forgiveness: $715,000
NIMS Categories: Treatment: $ 715,000	Estimated SRF Savings: $ 154,517 Affected Population: 4,147 Equivalency Amount: $ 0.00
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Indiana Department of Environmental Management has determined the City's water supply system as Groundwater Under the Direct Influence (GWUDI) of Surface Water. Wells under the direct influence of surface water that do not receive adequate treatment represent a risk for waterborne disease outbreak.



The project will construct a chlorine disinfection facility to treat the existing drinking water supply. The Chlorine Disinfection Facility includes chemical storage and pump building, chemical feed equipment, metering and chemical injection vault and process and site piping.

The project will allow the system to achieve compliance with the Safe Drinking Water Act.

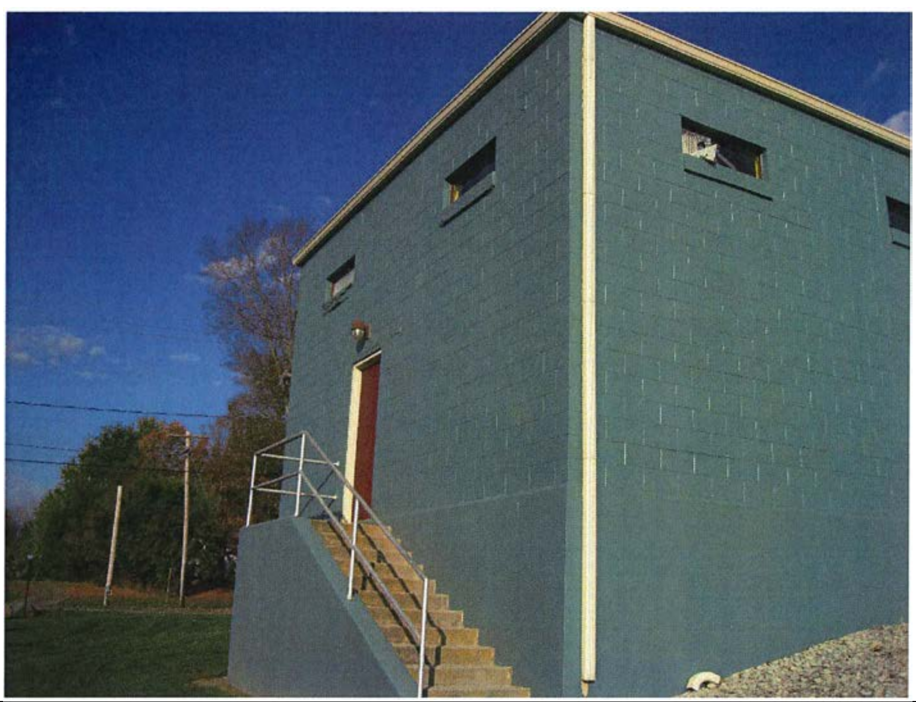
DWSRF Participant: Middletown	
SRF Project #: DW15063301	DWSRF Loan Amount: $ 2,430,000
PWS ID #: IN5233008	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: December 18, 2015	Total Loan and Principle Forgiveness: $2,430,000
NIMS Categories: Treatment: $ 2,153,165 Source: $ 276,835	Estimated SRF Savings: $ 525,141 Affected Population: 2,383 Equivalency Amount: $ 0.00

This Project:
Assists a compliant system to maintain compliance with the Safe Drinking Water Act.

Project Description:

The Middletown Water Utility has been providing services to the Town for over 100 years, the last major upgrade to the water treatment plant is believed to have been completed in 1957. All wells are at the end of their useful life and two are shown to have deteriorated casings. The existing sanitary sewer that served the WTP does not have sufficient capacity to accommodate backwash flows, causing dry weather overflows.

The proposed Middletown drinking water project includes the construction of a new 400,000 gallon per day WTP and two water wells. The existing Well #6 will be replaced with a new well; Well #5 will be abandoned in place; and a new Well #7 will be constructed within the existing well field. The new WTP includes: one new aerator and the use of an existing aerator; new clear well; six vertical pressure filters; chlorine feed equipment; fluoride feed equipment; three high pressure service pumps with VFDs; supervisory control and data acquisition (SCADA) system; laboratory/office; security fencing and a emergency generator. The existing underground clear well will be converted to a backwash holding tank.



The proposed project will upgrade the eliminate illegal backwash overflows and upgrade the WTP and wells which are at the end of their useful life.

DWSRF Participant: Remington	
SRF Project #: DW14133701	DWSRF Loan Amount: $ 5,268,000
PWS ID #: IN5237004	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: December 18, 2015	Total Loan and Principle Forgiveness: $5,268,000
NIMS Categories: Treatment: $ 5,268,000	Estimated SRF Savings: $ 1,138,455
	Affected Population: 1,182
	Equivalency Amount: $5,268,000
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Town of Remington owns and operates a total of six wells, with chlorine gas fed at each prior to entering the distribution system. The Town currently does not have a water treatment plant (WTP) and is not meeting the secondary maximum contaminant level for iron. Many customers experience taste, odor, and color issues. In addition, iron causes corrosion, scaling, and sedimentation of distribution piping as well as customers piping.

The proposed water system improvements include construction of a new WTP with new raw water and finished water connections, and modifications to existing water supply wells. The new WTP will have a total capacity of 1,200 gpm and a firm capacity of 800 gpm. The WTP will include an aerator, detention tank, three high service pumps, three horizontal pressure filters, chemical feed system, chlorine neutralization equipment, backwash tank with approximately 250 feet of sanitary force main, standby power, SCADA system, approximately 1,250 feet of 12” ductile iron raw water main, and approximately 1,250 feet of 12” ductile iron finished water main. The existing wells 3, 6 and 7 pump motors will be modified by adding VFDs.

The new WTP is proposed to meet secondary maximum contaminant levels for iron. This will help eliminate taste, odor and color issues that the residents currently experience. The new WTP should also reduce corrosion, scaling, and sedimentation in the distribution lines.

DWSRF Participant: Morgantown	
SRF Project #: DW15095501	DWSRF Loan Amount: $ 982,000
PWS ID #: IN5255011	Principal Forgiveness: $ 500,000
DWSRF Loan Closed: December 30, 2015	Total Loan and Principle Forgiveness: $1,482,000
NIMS Categories: Treatment: $ 76,150 Transmission & Distribution: $ 728,708 Source: $169,498 Storage: $ 507,644	Estimated SRF Savings: $ 931,839 Affected Population: 1,125 Equivalency Amount: $0.00
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

Improvements are needed to Morgantown's water system to provide the community with quality drinking water and allow efficient operations of the water systems. The four groundwater wells are near the end of useful life, the chemical feed building is lacking adequate space, ventilation, lighting, storage and standby power. A recent inspection of the town's elevated water tank indicates significant rehabilitation is needed and does not meet the current average day demand storage capacity. The system also has issues with secondary contaminants.

The proposed project will install sample taps at each well, clean, line and replace the pumps at well No. 1 and 2, reline and rehabilitate well No. 3, and rehabilitate and return well No. 4 to service. Project also includes the installation of electrical equipment, ventilation, heating and chemical feed equipment in the existing well building, and connection of well No. 4 raw water main to the existing distribution system. The project will also construct a new 150,000 gallon elevated water storage tank, complete improvements to the existing chemical feed building, and replace approximately 5000 LF of water main and hydrants and valves. A backup generator will also be purchased and installed as a part of this project.

The proposed improvements will provide the town sufficient well and storage capacity in order to meet the current or projected water demands over the 20-year planning period. It will also update the existing chemical feed building to current safety standards, correct problems in the distribution system brought about by aging infrastructure, and help to maintain operational in the system.

The Town of Morgantown has an MHI of $36,319, which is lower than the Indiana MHI $48,248. The town is experiencing a decreasing population over the last three years and a 2014 annual average unemployment rate of 17.5%. The approved user rate after Additional Subsidization is $44.09. Without Additional Subsidization the user rates for the utility customers would have been a hardship for this community.

DWSRF Participant: Brown County Water Utility	
SRF Project #: DW13130702	DWSRF Loan Amount: $ 8,113,000
PWS ID #: IN5207001	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: March 14, 2016	Total Loan and Principle Forgiveness: $8,113,000
NIMS Categories: Transmission & Distribution: $5,330,020 Storage: $ 2,782,980	Estimated SRF Savings: $ 1,753,281 Affected Population: 11,300 Equivalency Amount: $ 8,113,000
This Project: Allows a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Brown County Drinking Water System consists of groundwater supply, storage tanks, booster stations and distribution system. The system has been well maintained but has aging components that are at the end of their useful life.

The Improvements Project includes:

- Water Transmission Main on Spearsville- Peoga Road and installation of a new Spearsville Booster Station to Peoga;
- Water Main Replacement: Upper Salt Creek Road, Upper Beanblossom Road, Three Story Hill;
- Replacement of the Carmel and Lanam Water Storage Tank;
- Replacement of the Knob Hill Booster Station;
- Cottonwood Tank pressure zone isolation via installation of an altitude control valve Replacement of raw water main from the Remote Well Field to the water treatment plant Replacement of existing, and addition of new, distribution system valves and hydrants;
- Replacement of 1,200 water service lines, main to meter; and
- Replacement of 2,400 residential water meters with new automatic meter reading (AMR) meters.

The water main transmission projects, tank replacement projects and booster station project will eliminate dead ends, improve pressure and reduce water loss in the distribution system. The altitude control valve at Cottonwood Tank will allow the existing tank to operate with the Lanam Tank while preventing overflows at the tank. The remaining projects will eliminate components at the end of their useful life with more efficient components.

DWSRF Participant: Watson Water Company	
SRF Project #: DW16021001	DWSRF Loan Amount: $ 4,831,000
PWS ID #: IN5210016	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: March 14, 2016	Total Loan and Principle Forgiveness: $ 4,831,000
NIMS Categories: Transmission & Distribution: $ 2,480,594 Source: $ 365,622 Storage: $ 1,984,784	Estimated SRF Savings: $ 900,501 Affected Population: 14,265 Equivalency Amount: $0.00
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Watson Water Company's (Watson) service area is experiencing growth as a result of the I-265 bridge construction project in Clark County, Indiana. The proposed project is necessary to meet the growing demoing on the water supply system as a result of the economic development project.

The water system improvements projects include:

- Two new water supply Wells #8 and #9, and abandon Well #2;
- Approximately 7,560 LF of 16-inch diameter transmission main serving Tank No. 2;
- New 1 MG elevated storage tank with approximately 800 LF of 24-inch diameter water main;
- Approximately 1,850 LF of 12-inch diameter water main along Old Salem Road;
- Approximately 12,360 LF of 8-inch and 9,380 of 6-inch diameter water main in the Town of Utica;
- Demolition of existing standpipe and installation of a new pressure reducing valve pit; and
- Approximately 5,560 LF of 12-inch diameter water main along Patrol Road.

The project is needed to provide adequate supply, storage and distribution of potable water to existing and future customers of the Watson Rural Water Company. During periods of peak usage, the system could experience low tank levels and line pressures, which would cause a potential risk to public health if the projects were not constructed. The projects will also replace existing facilities that are nearing the end of their useful life.

DWSRF Participant: BBP	
SRF Project #: DW15136001	DWSRF Loan Amount: $ 2,920,000
PWS ID #: IN5260001	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: June 29, 2016	Total Loan and Principle Forgiveness: $ 2,920,000
NIMS Categories: Treatment: $ 2,630,698 Source: $ 289,302	Estimated SRF Savings: $ 631,034 Affected Population: 9,903 Equivalency Amount: $0.00

This Project:
Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.

Project Description:

The BBP Water Company's well field has levels of Tetrachloroethlylene (PCE) that exceed the maximum contaminant level at Well #2. Additionally the capacity of the existing well field and water treatment plant is nearing its maximum. The utility also experiences hard water and has limited space for expansion or improvements.

The water supply and treatment improvements projects include:

- New Well #4 with VFD controls, well tower, and access road;
- Upgraded motor and VFD controls on existing Well #1, #2, and #3; and
- 1,400 gpm water treatment plant expansion with associated meters, piping, SCADA, building and site work.

The new Well #4 is needed to provide increased water supply. The current production capacity from water supply Well #1, 2 and 3 is not adequate to meet projected water demand. Well #4 is also needed to reduce reliance on Well #2 which has developed a level of contamination that exceeds drinking water standards. The upgraded motors and controls are necessary to optimize pumping control at the existing wells. The water treatment plant expansion is needed to increase water treatment capability to a level that will meet projected water demand, allow maintenance on existing water treatment components, and provide softening to address water hardness.

DWSRF Participant: Edwardsville	
SRF Project #: DW15122202	DWSRF Loan Amount: $ 2,749,000
PWS ID #: IN5222001	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: June 29, 2016	Total Loan and Principle Forgiveness: $ 2,749,000
NIMS Categories: Transmission & Distribution: $ 2,296,183 Source: $ 452,817	Estimated SRF Savings: $ 549,080 Affected Population: 9,943 Equivalency Amount: $ 0.00
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Town of Edwardsville currently suffers with undersized water mains, and poor pressure and flow in several parts of the distribution system. The water supply is currently insufficient to meet the demand of the system and upgrades are needed at the water treatment plant and the well field. Administratively, the current water meter reading system and customer billing system are inefficient. Further, the distribution is not mapped, leading to issues with planning and responding to main breaks.

The proposed project includes:

- Construction of the new Hickman Hill Booster Station, which includes two 700gpm pumps/vfd motors and one 1,000 gpm pump/vfd motors;
- Construction of a new 1,000 gpm water supply well ("Well No. 3");
- Installation of one new chlorine residual and pH analyzer at existing well field chlorination building and one new analyzer at the new Hickman Hill Booster Station;
- Upgrades to the existing SCADA system;
- Replacement of existing water transmission main along Oaks Road and SR 64 with approximately 6,600 feet of 12-inch diameter water transmission main;
- Replacement of existing water main on Corydon Pike with approximately 8,200 feet of 4-inch diameter water main;
- Acquisition of software and two field-grade computers for water meter reading;
- Upgrade of water billing software and computers at the water administration office; and
- Acquisition and implementation of a new GPS units/software that will enable GIS mapping of the distribution system.

The project will optimize operational control, improve pressure, increase water supply to meet the needs of current customers, eliminate flow restrictions in the distribution system, and increase administrative efficiencies.

DWSRF Participant: Goshen	
SRF Project #: DW16062002	DWSRF Loan Amount: $ 6,599,000
PWS ID #: IN5220009	Principal Forgiveness: $ 0.00
DWSRF Loan Closed: June 30, 2016	Total Loan and Principle Forgiveness: $ 6,599,000
NIMS Categories: Treatment: $ 431,845 Transmission & Distribution: $ 6,167,155	Estimated SRF Savings: $ 1,426,094 Affected Population: 29,383 Equivalency Amount: $103,000

This Project:
Allows a compliant system to maintain compliance with the Safe Drinking Water Act.

Project Description:

The City of Goshen suffers with an aging distribution system that leads to water loss, low pressure and difficult maintenance. The proposed project includes:

Project A will replace a water main and associated valves, hydrants and service line connections near the reconstruction project of US Hwy 33. The existing water main is more than 100 years old and is not expected to survive the reconstruction project. In addition to a reliable water main, the project is expected to increase pressure to the service area.

Project B will replace the existing water main currently suspended on the Pike Street bridge. The existing main has frozen and failed multiple times and is currently out of service. A larger water main, installed under the river, will provide needed pressure, capacity, and reliable primary feed from the North Water Treatment Plant to the City of Goshen west of the Elkhart River.

Project C, South Link Road Water Main Project, will provide looping and redundant water supply on the south side of the water system, improving pressure and water quality in this area.

Project D: The new alignment of US Hwy 33 will be elevated and will sever three vital water mains that serve the Logan Street industrial corridor. The historic water mains along Logan Street are undersized and pass under developed parcels make maintenance difficult. The upsized main will provide improved pressure and the relocation will make maintenance possible for the future.

Project E will provide a backup generator at the North Water Plant to maintain service to customers. Because the Water Utility does not have sufficient elevated storage, its pumping capabilities must be maintained at all times to support peak demands than can only be accomplished through the operation of both plants.

Project F will purchase leak detection equipment for the utility. The water distribution system is located in the freeze-thaw zone of northern Indiana and the city rests on sandy soil. These conditions lead to frequent water main breaks in the older cast iron main that do not always become apparent because of the sandy soil. Leak detection equipment will reduce water loss in the system.

Exhibit F
Cumulative History of Federal DWSRF Capitalization Grants

FFY 1997 Federal Capitalization Grant	$	25,371,806
FFY 1998 Federal Capitalization Grant	$	8,687,500
FFY 1999 Federal Capitalization Grant	$	9,105,300
FFY 2000 Federal Capitalization Grant	$	8,989,850
FFY 2001 Federal Capitalization Grant	$	9,159,460
FFY 2002 Federal Capitalization Grant	$	8,955,100
FFY 2003 Federal Capitalization Grant	$	9,398,200
FFY 2004 Federal Capitalization Grant	$	9,749,300
FFY 2005 Federal Capitalization Grant	$	11,201,850
FFY 2006 Federal Capitalization Grant	$	12,166,734
FFY 2007 Federal Capitalization Grant	$	11,484,000
FFY 2008 Federal Capitalization Grant	$	11,367,000
FFY 2009 Federal Capitalization Grant	$	11,367,000
American Recovery and Reinvestment Act of 2009 Grant	$	27,212,000
FFY 2010 Federal Capitalization Grant	$	22,638,000
FFY 2011 Federal Capitalization Grant	$	15,709,000
FFY 2012 Federal Capitalization Grant	$	14,970,000
FFY 2013 Federal Capitalization Grant	$	14,046,000
FFY 2014 Federal Capitalization Grant	$	14,348,000
FFY 2015 Federal Capitalization Grant	$	14,253,000
FFY 2016 Federal Capitalization Grant	$	13,484,000
TOTAL GRANTS	$	283,663,100
TOTAL GRANTS REQUIRED TO MATCH	$	256,451,100

Exhibit G
Cumulative History of the State Match

The State deposited $7,000,000 of State Match in the DWSRF Loan Program in SFY 2016. To date, the DWSRF State Match has aggregated in excess of 20 percent of the awarded $256,451,100 Capitalization Grants the Authority was required to match through June 30, 2016, as demonstrated in the table below:

$6,860,000	State Revolving Fund Program Bond, Subordinate Series 1, net proceeds representing a State Match (September 1999)*
5,640,000	State Revolving Fund Program Bond, Subordinate Series 2, net proceeds representing a State Match (December 2001)*
3,823,000	Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001 & July 2002)
1,949,860	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2004)
2,000,000	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (February 2005)
2,100,000	Series 2006A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2006)
2,493,109	Series 2006B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2006)
2,400,000	Series 2007B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2007)
7,000,000	Series 2009A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2009)
4,437,000	Series 2010B State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2010)
1,567,051	Series 2011A State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2011)
2,788,000	Series 2012B State Revolving Fund Program Bond net proceeds representing a State Match allocation (August 2012)
5,554,400	Series 2014A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2014)
7,000,000	Series 2016A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2016)
$55,612,420	TOTAL

* Source restructured in SFY 2002 vis-à-vis Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001)

As a result of the foregoing, the State has deposited State Match in excess of that required based on grants awarded as of the end of SFY 2016 by $4,322,200 (also known as over-match), which is banked toward future capitalization grants that are expected to be awarded in SFY 2017. This over-match is intended to permit, and will allow, the State to immediately convert a portion of its next capitalization grant (expected to be awarded in FFY 2017) to cash (and deposit it in the DWSRF) as costs are incurred through SFY 2016 and beyond.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF's State Match; (2) DWSRF's leveraged loans; (3) Wastewater (WW) SRF's State Match; and (4) WWSRF's leveraged loans. These bonds are repaid semiannually and at the time of each payment the Authority tracks, allocates, and records their payment *first* between WWSRF and DWSRF purposes (with the percentage paid from DWSRF being equal to the proportion of the net bond proceeds originally deposited in DWSRF from those bonds as compared to their total net bond proceeds) and *second* between State Match and leveraged loans purposes (with the payment allocated as a State Match repayment computed and tracked to be no more than the amount of the total DWSRF earnings applied on each payment date toward that bond payment). Set forth in the attached Exhibit G-1 is the principal amount of the State Revolving Fund Program Bonds allocated to State Match purposes for the DWSRF and the principal amount repaid as of the end SFY 2016.

The Authority annually designates whether principal maturities of the State Revolving Fund Program Bonds retired in a State Fiscal Year relate to State Match or leveraged bonds. Generally, it anticipates retiring State Match related bonds first, leaving primarily program bonds allocated to the leveraged loans purposes outstanding. Once all State Revolving Fund Program Bonds allocated to the DWSRF State Match purposes are retired (and/or the number of series with outstanding State Match bonds are reduced), this policy will simplify the tracking of funds, reporting, bond disclosure, and allocation of semi-annual debt service.

Exhibit G - Schedule-1

DRINKING WATER									
Revenue Bonds	Original Par Amount of Bonds Designated as State Match	Par Amount retired during SFY Ending June 30 2016	2015	2014	2013	2012	All Prior SFYs	Remaining Par Amount of Bonds Designated as State Match	
2001A	$ 15,680,000	-	-	-	-	3,368,082	12,311,918	$ -	
2004B	3,625,835	-	-	-	-	-	3,625,835	-	
2006A	1,988,671	-	-	-	-	-	1,988,671	-	
2006B	2,359,076	-	-	-	-	-	2,359,076	-	
2007B	2,087,648	-	-	-	-	177,648	1,910,000	-	
2009A	6,610,905	665,000	1,260,905	415,000	1,310,000	500,000	170,000	2,290,000	
2010B	4,083,672	-	558,672	725,000	-	1,335,000	1,465,000	-	
2011A	1,413,300	93,300	320,000	-	-	1,000,000	-	-	
2012B	2,390,013	-	-	630,000	140,000	-	-	1,620,013	
2014A	5,520,000	-	5,520,000	-	-	-	-	-	
2015B∆	785,000	-	-	-	-	-	-	785,000	
2016A	5,960,000	-	-	-	-	-	-	5,960,000	
Total	$ 52,504,120	758,300	7,659,577	1,770,000	1,450,000	6,380,730	23,830,500	**$ 10,655,013**	

Notes:

∆ 2015B refinanced a portion of the 2009A Bonds; only the part retired before issuance of 2015B (together with the unrefunded February 1, 2016 maturity of the 2009A Bonds) are shown under 2009A heading.

Indiana DWSRF Loan Program

Exhibit H - Summary of DWSRF Loan Program Loans Closed in SFY 2016

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF P & I *	SRF Savings
Switz City	2-Dec-15	$ 540,000	$ 306,000	$ 846,000	3.75%	$ 1,217,599	2.000%	$ 660,493	$ 557,106
Hope	3-Dec-15	$ 1,392,000	$ 925,000	$ 2,317,000	3.75%	$ 3,334,724	2.000%	$ 1,702,603	$ 1,632,121
Morgantown	30-Dec-15	$ 982,000	$ 500,000	$ 1,482,000	3.75%	$ 2,132,957	2.000%	$ 1,201,118	$ 931,839
Jasonville	18-Dec-15	$ 715,000	$ -	$ 715,000	3.75%	$ 1,029,058	2.000%	$ 874,541	$ 154,517
Remington	18-Dec-15	$ 5,268,000	$ -	$ 5,268,000	3.75%	$ 7,581,927	2.000%	$ 6,443,472	$ 1,138,455
Middletown	18-Dec-15	$ 2,430,000	$ -	$ 2,430,000	3.75%	$ 3,497,358	2.000%	$ 2,972,217	$ 525,141
Watson	14-Mar-16	$ 4,831,000	$ -	$ 4,831,000	3.75%	$ 6,952,978	2.250%	$ 6,052,477	$ 900,501
Brown County Water	14-Mar-16	$ 8,113,000	$ -	$ 8,113,000	3.75%	$ 11,676,570	2.000%	$ 9,923,289	$ 1,753,281
BBP Water Corp	29-Jun-16	$ 2,920,000	$ -	$ 2,920,000	3.75%	$ 4,202,586	2.000%	$ 3,571,552	$ 631,034
Edwardsville Water Corp	29-Jun-16	$ 2,749,000	$ -	$ 2,749,000	3.75%	$ 3,956,476	2.000%	$ 3,362,396	$ 594,080
Goshen	30-Jun-16	$ 6,599,000	$ -	$ 6,599,000	3.75%	$ 9,497,558	2.000%	$ 8,071,464	$ 1,426,094
TOTAL		**$ 36,539,000**	**$ 1,731,000**	**$ 38,270,000**					**$ 10,244,168**

* P & I = Principal and Interest

Exhibit I
Expeditious and Timely Use of Funds

This Exhibit identifies the intended uses of the funds held in various accounts of the DWSRF, and how those uses support the goals of the DWSRF. This Exhibit also demonstrates how the Authority meets the requirements of 40 CFR 35.3550(1) by using all of the funds in the DWSRF in an expeditious and timely manner.

Sources, Uses and Available Balances in SRF Accounts

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2016 and will continue to be in perpetuity.

Drinking Water Purchase Account

Sources of Funds: Funds held in this account[1] come from proceeds of Program Bonds[2] issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2016 as well as loans anticipated to be closed in SFY 2017 and after.

Uses of Funds: These funds are used to make loans for qualified Proposed Projects as permitted by 40 CFR 35.3525(a). This use directly furthers the primary purpose of the DWSRF Loan Program by financing qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: As of July 1, 2016, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2017, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2016 is shown in the Use Schedule. Accordingly, none of the funds presently on deposit in this account are available for other SRF Loan Program purposes except to finance closed and committed loans related to qualified Proposed Projects.

[1] Pursuant to SRF Indenture modification, the former State Match Loan Account was consolidated into this Account effective May 30, 2007.
[2] These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its predecessor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as State Match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as the not-yet-available FFY 2017 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

Drinking Water Participant Loan Principal Account

Sources of Funds: Funds held in this account come from principal payments on loans made from the Purchase Account and the former State Match Loan Account.

Uses of Funds: These funds are used to make payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

Drinking Water Participant Loan Interest Account

Sources of Funds: Funds held in this account come from interest payments on loans made from the Purchase Account and the former State Match Loan Account.

Uses of Funds: These funds are used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use indirectly furthers the primary purpose of the SRF by making loan proceeds available to finance qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes.

DRINKING WATER RESERVE[3] contains the following accounts:

Drinking Water Reserve Earnings Account

Sources of Funds: Funds held in this account come from interest payments on loans made from the Purchase Account and the State Match Loan Account together with other earnings on invested Reserve accounts.

Uses of Funds: These funds are *first* used to make payments on the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR

[3] Pursuant to SRF Indenture modification, effective May 30, 2007, the following Reserve accounts are pledged to particular series of Program Bonds by means of subaccounts therein. Such pledged accounts serve as the Reserve for only one Series of Program Bonds (a "Series Reserve") and are held at a fixed amount (a "Series Reserve Requirement") subject to annual reductions as principal on such Series of Program Bonds are repaid as required by the SRF indenture. While not labeled under this Reserve group of accounts, amounts held in Equity serve as security for the payment of Program Bonds, and thus, are part of the "reserve" for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

35.3525(e) and 40 CFR 35.3550(g)(3), respectively, and *secondly* transferred to the Reserve Deficiency Account, as described below.

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds, with any excess available balances to be transferred to the Reserve Deficiency Account. Accordingly, none of the funds presently on deposit[4] in this account are available for other SRF purposes.

Drinking Water Reserve Grant Account

Sources of Funds: Funds held in this account[5] come from federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Equity Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.[6]

Uses of Funds: These funds are used (i) as security[7] for outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and (ii) as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use both directly and indirectly furthers the primary purpose of the DWSRF Loan Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account (as of July 1, 2016 and as anticipated in SFY 2017) is shown in the Use Schedule.[8] In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and treasury and/or agencies obligations.

Drinking Water Reserve Deficiency Account

Sources of Funds: Funds held in this account, if any, will come from other Reserve accounts discussed above when the amounts held in the group of accounts serving as the Reserve any

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[4] And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.
[5] Pursuant to SRF Indenture modification, the former State Match Account was consolidated into this Account effective May 30, 2007.
[6] State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2016, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.
[7] Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least $180.6 million, which is to be held in the Reserve accounts and is not anticipated to be used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this Annual Report (as shown in the amount set out in the Use Schedule). This is a minimum invested funds requirement. However, the Authority views invested amounts in excess of the foregoing minimum requirement as security and as a source of payment for the outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement will increase as additional Program Bonds are issued in SFY 2017 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.
[8] And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

Series of Program Bonds (a "Series Reserve") exceeds its Series Reserve Requirement.

Uses of Funds: These funds are used to fund each Series Reserve by immediately transferring them as necessary (the *first* possible use) to each Series Reserve that is below its Series Reserve Requirement on each February 1 and August 1 and secondly (if not required for such *first* use) shall be transferred to an Equity account (the *secondary* use; which is expected to occur). Any such transfer is either made to a Grant Account or Earnings Account depending on the source of the funds transferred to the Reserve Deficiency Account.

Available Balance: No amounts were held in this account as of July 1, 2016 nor are any so anticipated in SFY 2017.

DRINKING WATER EQUITY[9] contains the following accounts:

Drinking Water Equity Grant Account

Sources of Funds: Funds held in this account come from federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Reserve Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.

Uses of Funds: These funds are used (i) as security[10] and as a source of payment for the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e), (ii) to fund any transfers to the Authority's CWSRF as permitted by law including Section 302 of the Safe Drinking Water Act, and (iii) to fund that portion of any loans closed but not presently on deposit in the Purchase Account[11] in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the DWSRF Loan Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

[9] While funds held in these Equity accounts are not pledged to the payment of Program Bonds, the SRF Program Representative may, but is not required to, direct that they be used to pay Program Bonds. Further, the Authority would expect such to occur if it was necessary to pay such bonds and, thus, while not labeled under as Reserve in this Report, the DWSRF treats it as part of the "reserve" for the purposes of this Report and the federal Safe Drinking Water Act, as amended.

[10] Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2017 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2016.

[11] In addition to meeting any Excess Commitments as of July 1, 2016, additional Excess Commitments will occur before additional Guarantee Revenue Bonds are issued. This will result from closing new loans for qualified Proposed Projects with (a) approved preliminary engineering reports (PERs) as of July 1, 2016, (b) PERs submitted and under review by the DWSRF as of July 1, 2016 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2017), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2016 and as anticipated in SFY 2017) is shown in the Use Schedule.[12] In furtherance of these purposes, the funds in this account are invested with certain short-term investments and State and Local Government Series (SLGS) securities.

Drinking Water Equity Earnings Account

Sources of Funds: Funds held in this account come from (a) transfers from the Reserve Earnings Account and the Participant Loan Interest Account undertaken approximately annually or at the time of an issuance of additional Program Bonds and (b) earnings on amounts invested in the Equity accounts.

Uses of Funds: These funds are used (i) as security and as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively, like the Equity Grant Account and (ii) to fund that portion of any loans closed but not on deposit in the Purchase Account in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the SRF by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account as of July 1, 2016 is shown in the Use Schedule.[13]

Additional Information Concerning Expected Uses of SRF Funds

Use of Available Balances to Meet Closed Loan Commitments. Under its existing practices, the Authority closes DWSRF loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF loan is closed. As of July 1, 2016, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2016, (b) PERs submitted and under review by the DWSRF as of July 1, 2016 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2017), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed and those anticipated to be closed in SFY 2017. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and those anticipated to be closed in SFY 2017) in the event additional Guarantee Revenue Bonds could not to be issued.

[12] And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.
[13] And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2017 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances as a Source of Payment for State Match Revenue Bonds. All SRF earnings including amounts held in the Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for State Match Revenue Bonds as permitted by 40 CFR 35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2017 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. As of July 1, 2016, about $23.6 million has been transferred to DWSRF. As of July 1, 2016, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately $84.6 million of allowable transfers which includes 33% of the FFY 2016 grant. The full amount of any such potential transfers is banked.

Further, transfers can be made from DWSRF to the CWSRF up to the cumulative amount made from CWSRF to DWSRF to date, together with an amount equal to 33 percent of aggregate Drinking Water Capitalization Grants awarded. The full amount of any such potential transfers is banked.

Since the inception of the DWSRF, the Authority (or its predecessor) has banked transfers up to maximum permitted limit and continues to do so; funds held in the Equity Grant Account might be used for this purpose. Such transfer may be effectuated by a transfer of an invested balance from one or more of the Authority's investments. These invested funds would then be used to support the issuance of Guarantee Revenue Bonds, the proceeds of which would be used to make Program loans. Any such determination would be based on whether the DWSRF or CWSRF program is more in need of funds (when considering their respective priorities) than the other. While a transfer from DWSRF to the CWSRF is not expected, it is also banked to reserve the Authority’s discretion.

		Account Balances* as of: 30-Jun-2016 (Actual)		Future Deposits in SFY
A. Funds Committed to Projects by DWSRF				
Purchase Account	$	-	$	-
	$	-	$	-
B. Other Funds Held in DWSRF				
Reserve Grant Account	$	14,100,000	$	-
Reserve Earnings Account		300,000		-
Reserve Support Account		700,000		
Reserve Deficiency Account		-		-
Equity Grant Account		73,600,000	$	1,000,000
Equity Earnings Account		83,700,000		-
	$	172,400,000	$	1,000,000
Total Available Funds (A. and B. above)	$	172,400,000	$	1,000,000

Proof of Timely & Expedious Use of Above Funds Held in DWSRF*

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	$	-
Closed Loan Excess Commitments (after Application of above Purchase A/C **)		33,500,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)		17,500,000
PERs In-house (approved & under-review) Awaiting Loan Closing		49,100,000
Other Projects on new SFY's PPL, Requesting Loan Funding		26,100,000
*1. Use: to cover Loan Demand****		126,200,000
2. Use: to cover Series Reserve Requirement		14,500,000
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	$	140,700,000

Uses of Funds (1 & 2 above):	$	140,700,000
Less: Total Available Funds (A. and B. above)		173,400,000
Amount by which "*Possible Uses of Funds*" EXCEED "*Total Available Funds*"******	$	(32,700,000)

Notes:

* Amounts are approximate & rounded to nearest $100,000

** This amount is a net unfunded amount of closed loans after application of the June 30th on-hand balance.

*** While use will likely be met with future Program Bonds, possible that on-hand funds could be used. When covered by issuance of Program Bonds used to make subsidized loan, a reserve of 40% to 50% is funded from Equity and additional Program Bonds are used to make pooled loan at a market rate. Such Program Bonds would not be sufficient to meet all needs.

**** The substantial increase in available funds as compared to previous years is a direct result of the Program's restructuring that resulted in a reduced need for funds being held in reserve accounts for individual bond issues and an indirect result of the migration from a Reserve Fund Program to a Cash Flow Program.

Exhibit J

SFY 2016 DWSRF Loan Program Quarterly Interest Rates[1]

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over $45)	User Rates ($25 to $45)	User Rates (Under $25)
Tier III (Median Household Income[2]: under $38,598)			
1st Qtr SFY 2016	2.00%	2.00%	2.24%
2nd Qtr SFY 2016	2.00%	2.00%	2.11%
3rd Qtr SFY 2016	2.00%	2.00%	2.00%
4th Qtr SFY 2016	2.00%	2.00%	2.00%
Tier II (Median Household Income: $38,599 to $48,247)			
1st Qtr SFY 2016	2.00%	2.00%	2.49%
2nd Qtr SFY 2016	2.00%	2.00%	2.36%
3rd Qtr SFY 2016	2.00%	2.00%	2.09%
4th Qtr SFY 2016	2.00%	2.00%	2.09%
Tier I (Median Household Income: over $48,248)			
1st Qtr SFY 2016	2.00%	2.24%	2.74%
2nd Qtr SFY 2016	2.00%	2.11%	2.61%
3rd Qtr SFY 2016	2.00%	2.00%	2.34%
4th Qtr SFY 2016	2.00%	2.00%	2.34%

[1] Up to an additional .50 percent reduction is possible if a project includes a green component as part of the Green Project Reserve Sustainability Incentive Program.

[2] Median Household Income reflected in the 2009-2013 ACS 5-year Estimate data.

Exhibit K

Summary of DW Program Fee Expenditures in SFY 2016

Beginning Balance
2,000,000

Participant/ Project	Description	Amount	Account Balance
WhyFi Water Admin	Senate Enrolled Act No. 347 (Act) requires all public water utilities in the State of Indiana to provide to the Indiana Finance Authority (IFA) a Non-Revenue Water Audit as identified in the American Water Works Association Manual of Water Supply Practices M-36. The Act further requires that the IFA conduct a study and analysis of the infrastructure needs of the water utilities in the State of Indiana and submit a report on the study and analysis to the legislative services agency no later than November 1, 2016. Together, the IFA is referring to these two tasks as the Why-Fi Water project. IFA staff and third party consultants have worked through the last two quarters of SFY 2016 conducting workshops, creating guidance, contacting public water utilities, and reviewing data submissions from public water utilities. Future efforts in this project include the scrubbing and aggregation of the collected data and the completion of the required report.	(1,000,000)	1,000,000
Interest earned		1,881	1,001,881

Current Unallocated Funds
1,001,881

Exhibit L
Summary of DWSRF Transfers

Consistent with its Intended Use Plans and EPA Policy Statement (FRL-6884-7, 65 FR 199, 10/13/00, pg. 60940), the State is reporting on transfers between the CWSRF and the DWSRF. In its Intended Use Plans, the State retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2016, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2016 could be so transferred on a net cumulative basis. Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2016, to date, approximately $23.6 million has been transferred to the DWSRF from the CWSRF. The following transfers were made from the 1998 Restricted Subaccount of the Wastewater Equity Account held under the Wastewater Indenture, which represents federal grants previously converted to cash and deposited in that account, to the Drinking Water Trustee for deposit in the 1998 Restricted Subaccount of the Drinking Water Equity Account held under the Drinking Water Indenture:

Transfer Dates	Transfer Amounts
August 25, 2000	$17,479,407
February 15, 2001	2,985,491
May 1, 2002	3,120,183
Total	$23,585,081

Such transfers did not negatively affect the capacity of the CWSRF to finance proposed projects during SFY 2016.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

COMBINED FINANCIAL STATEMENTS

June 30, 2016 and 2015

KATZ SAPPER & MILLER

ksmcpa.com

Indianapolis, Indiana

CONTENTS

Independent Auditors' Report

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on the Financial Statements

We have audited the accompanying combined financial statements of State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, which comprise the combined statements of net position as of June 30, 2016 and 2015, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

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KSM Business Services, Inc.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of State Revolving Fund Loan Programs at June 30, 2016 and 2015, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined 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 combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016, on our consideration of State Revolving Fund Loan Programs' internal control over financial reporting and on our tests of their 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 State Revolving Fund Loan Programs' internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 13, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview (Management's Discussion and Analysis (MD&A)) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2016. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net position increased by $28 million during the current fiscal year from $1,278.5 million to $1,306.5 million. Non-operating revenues consisted of $33.6 million of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA) during fiscal year 2016. SRF Program's net position is restricted for water pollution and drinking water projects and related SRF Program purposes.

During the current fiscal year, the SRF Programs' debt decreased by $31.6 million. The net decrease in debt is the result of principal payments on outstanding debt totaling $147.4 million and the issuance of $115.8 million in new bonds. Included in the issuance of new bonds is 2016A for $62.7 million. The 2016A bonds were used to partially refund the Series 2006B and 2009A bonds.

The SRF Programs disbursed $137.9 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan receivables can be found in Note 4 to the combined financial statements starting on page 20 of this report.

BASIC COMBINED FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the SRF Programs' basic combined financial statements (Report). The accompanying report only provides information on the financial activities associated with the SRF Programs which are an enterprise fund of the Indiana Finance Authority, where financial transactions are reported as business-type activities. The basic combined financial statements do not represent a comprehensive annual financial report of the Indiana Finance Authority.

Enterprise funds are used to report any activities for which income fees are charged to external users for goods and services. In addition, enterprise funds must be used in situations where debt is backed solely by fees and charges. An enterprise fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting.

The SRF Programs' basic combined financial statements include statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows, and the notes to the combined financial statements. These combined financial statements can be found on pages 9-11 of this report and are summarized below:

- The *combined statements of net position* present information on all of the SRF Programs' assets, deferred outflows of resources, and liabilities, with the difference reported as net position.

- The *combined statements of revenues, expenses and changes in net position* present information showing how the SRF Programs' net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

- In contrast, the *combined statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 12-37 of this report.

In addition to the basic combined financial statements and accompanying notes, this report also presents other supplementary information on pages 38-40. These combining schedules are not a required part of the basic combined financial statements, but they provide detailed financial statement information for each individual program. The combining schedules are included to provide other useful information for the readers of the basic combined financial statements.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, net position is $1,306.5 million at the close of the most recent fiscal year.

State Revolving Fund Loan Programs' Net Position
(In Thousands of Dollars)

	June 30, 2016	2015	2014
Current assets	$ 546,060	$ 789,403	$ 747,747
Noncurrent assets	2,251,022	2,007,048	2,106,753
Total Assets	2,797,082	2,796,451	2,854,500
Deferred Outflows of Resources	28,816	35,150	38,508
Current liabilities	115,968	116,141	153,408
Long-term liabilities	1,403,444	1,436,916	1,494,318
Total Liabilities	1,519,412	1,553,057	1,647,726
Net Position			
Restricted	1,306,486	1,278,544	1,245,282
Total Net Position	$ 1,306,486	$ 1,278,544	$ 1,245,282

Total assets have increased over the years as the SRF Programs continue to mature, manage new and existing projects, and receive new grants. Typically as new and existing projects are undertaken and completed, additional bonds on behalf of the SRF Programs are issued in order to fund the projects.

In fiscal year 2016, participant needs were met with EPA grants, new bond issuances, and funds on hand.

The SRF Programs adopted GASB Statement No. 72, *Fair Value Measurement and Application*, during fiscal year 2016. This statement required the SRF Programs to disclose fair value measurements, the level of fair value hierarchy, and valuation techniques. See Note 3.

State Revolving Fund Loan Programs' Changes in Net Position
(In Thousands of Dollars)

	Years Ended June 30, 2016	2015	2014
Operating Revenues			
Interest income-investments	$ 11,799	$ 6,620	$ 11,276
Interest income-participants	53,301	56,211	58,597
Other	1,172	772	382
Total operating revenues	66,272	63,603	70,255
Operating Expenses,			
Interest	51,705	68,247	79,825
Bond issuance costs	1,128	1,676	963
Trustee fees	76	49	51
Other program and administrative	2,400	4,789	342
Total operating expenses	55,309	74,761	81,181
Operating Income (Loss)	10,963	(11,158)	(10,926)
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	33,563	47,607	58,515
Loan forgiveness	(16,584)	(3,187)	(11,164)
Total nonoperating revenues and (expenses)	16,979	44,420	47,351
Increase in Net Position	27,942	33,262	36,425
Net Position:			
Beginning of Year	1,278,544	1,245,282	1,208,857
End of Year	$1,306,486	$1,278,544	$1,245,282

The SRF Programs' net position increased by $28 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received $33.6 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes.
- Operating revenues exceeded operating expenses by $11 million.
- The SRF Programs had $16.6 million in loan forgiveness.

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount was $1.49 billion. The amount due represents bonds issued solely for the State Revolving Fund Loan Programs.

State Revolving Fund Loan Programs' Outstanding Debt
(In Thousands of Dollars)

	2016	**2015**	**2014**
Net Bond Indebtedness	$ 1,491,728	$ 1,523,914	$ 1,618,472

During the current fiscal year, the SRF Programs' debt decreased by $31.6 million. The net decrease in debt is the result of principal payments on outstanding debt totaling $147.4 million and the issuance of $115.8 million in new bonds. Included in the issuance of new bonds is 2016A for $62.7 million. The 2016A bonds were used to partially refund the Series 2006B and 2009A bonds.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 23-36 of this report.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the SRF Programs' finances for all those with an interest in the SRF Programs' finances. Questions concerning any of the information should be addressed to the Director of Environmental Programs, c/o State Revolving Fund Wastewater and Drinking Water Loan Programs, 100 N. Senate Avenue, Room 1275, IGCN – 12th Floor, Indianapolis, IN 46204.

COMBINED FINANCIAL STATEMENTS

	2016	2015
ASSETS		
Current Assets:		
Cash and equivalents	$ 405,774,115	$ 578,543,568
Interest receivable	22,708,687	22,855,526
Due from EPA	1,148,699	46,649,193
Loans receivable, net	116,428,817	141,354,595
Total Current Assets	546,060,318	789,402,882
Noncurrent Assets:		
Investments	440,188,251	183,709,984
Loans receivable, net	1,810,721,712	1,822,878,173
Equipment, net	111,603	460,430
Total Noncurrent Assets	2,251,021,566	2,007,048,587
Total Assets	2,797,081,884	2,796,451,469
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	28,816,027	35,149,971
Total Deferred Outflows of Resources	28,816,027	35,149,971
LIABILITIES		
Current Liabilities:		
Interest payable	26,280,088	26,608,215
Accounts payable	638,249	432,595
Bonds payable-current, net	89,050,000	89,100,000
Total Current Liabilities	115,968,337	116,140,810
Long-term Liabilities:		
Amount due to federal government	765,133	2,102,210
Bonds payable, net	1,402,678,344	1,434,814,047
Total Long-term Liabilities	1,403,443,477	1,436,916,257
Total Liabilities	1,519,411,814	1,553,057,067
NET POSITION		
Restricted for water pollution and drinking water projects and other related program purposes	$ 1,306,486,097	$ 1,278,544,373

See accompanying notes.

	2016	2015
OPERATING REVENUE		
Interest income-investments	$ 11,799,099	$ 6,619,769
Interest income-loan participants	53,300,675	56,210,767
Administration and premium fees	26,019	30,006
Other	1,146,167	742,121
Total Operating Revenue	66,271,960	63,602,663
OPERATING EXPENSES		
Interest	51,705,440	68,247,356
Bond issuance costs	1,127,934	1,675,640
Trustee fees	75,612	48,872
Other program and administrative	2,400,049	4,788,933
Total Operating Expenses	55,309,035	74,760,801
OPERATING INCOME (LOSS)	10,962,925	(11,158,138)
NONOPERATING REVENUES AND (EXPENSES)		
Capital contributions	33,562,882	47,607,436
Loan forgiveness	(16,584,083)	(3,186,513)
Total Nonoperating Revenues and (Expenses)	16,978,799	44,420,923
INCREASE IN NET POSITION	27,941,724	33,262,785
NET POSITION		
Beginning of Year	1,278,544,373	1,245,281,588
End of Year	$ 1,306,486,097	$ 1,278,544,373

See accompanying notes.

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	$ (2,460,917)	$ (2,004,158)
Administration fee	26,019	30,006
Net Cash Used by Operating Activities	(2,434,898)	(1,974,152)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	174,976,010	216,174,916
Issuance of loans to participants	(137,893,771)	(178,516,697)
Change in investments	(256,478,267)	48,174,071
Interest received on loans and investments	65,246,613	64,291,910
Change in capital assets	348,827	(73,530)
Net Cash Provided (Used) by Investing Activities	(153,800,588)	150,050,670
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	139,994,161	292,992,898
Principal payments to reduce indebtedness including refunding	(165,845,920)	(384,193,516)
Payment of debt issuance costs, net of refunding	(1,127,934)	(1,675,640)
Interest paid on debt	(52,033,567)	(70,447,344)
Net Cash Used by Non-Capital Financing Activities	(79,013,260)	(163,323,602)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	79,063,376	47,952,096
Issuance of forgivable loans to participants	(16,584,083)	(3,186,513)
Net Cash Provided by Capital Financing Activities	62,479,293	44,765,583
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(172,769,453)	29,518,499
CASH AND EQUIVALENTS		
Beginning of Year	578,543,568	549,025,069
End of Year	$ 405,774,115	$ 578,543,568
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	$ 10,962,925	$ (11,158,138)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Interest income	(65,099,774)	(62,830,536)
Interest expense	51,705,440	68,247,356
Bond issuance costs	1,127,934	1,675,640
Changes in assets and liabilities:		
Accounts receivable	-	2,000
Accounts payable	205,654	(12,684)
Amount due to federal government	(1,337,077)	2,102,210
Net Cash Used by Operating Activities	$ (2,434,898)	$ (1,974,152)

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Wastewater State Revolving Fund Loan Program (WSRF) and the Drinking Water State Revolving Fund Loan Program (DWSRF), collectively known as State Revolving Fund Loan Programs (SRF Programs), conform to generally accepted accounting principles as applicable to governmental units in the United States of America. The following is a summary of significant policies:

Reporting Entity*:* The accompanying combined financial statements report only on the financial activities associated with the SRF Programs, which are an enterprise fund of the Indiana Finance Authority (Authority). The combined financial statements do not represent a comprehensive annual financial report of the Authority.

Principles of Combination: The combined financial statements of the SRF Programs include the accounts of the WSRF and the DWSRF. All significant intra-entity accounts and transactions between the individual programs have been eliminated.

Basis of Presentation and Accounting: The SRF Programs are accounted for as Enterprise Funds. An Enterprise Fund is used to account for an operation where periodic determination of revenues earned, expenses incurred, and net income on an accrual basis is appropriate (accrual method). Accordingly, the SRF Programs recognize revenues in the period earned and expenses in the period incurred. Financial transactions are reported as business-type activities.

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

The SRF Programs adopted GASB Statement No. 72, *Fair Value Measurement and Application*, during fiscal year 2016. This statement required the SRF Programs to disclose fair value measurements, the level of fair value hierarchy, and valuation techniques. See Note 3.

The Wastewater State Revolving Fund Loan Program and Drinking Water State Revolving Fund Loan Program: The federal Water Quality Act of 1987 as amended in 1996 authorized the United States Environmental Protection Agency (EPA) to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State of Indiana (State) originally established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State also has established a public drinking water system program to provide financial assistance for eligible projects. Prior to the SRF Programs receiving funding as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), "financial assistance" included making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems. Beginning in Federal Fiscal Year 2010, the ARRA and EPA grants awarded to the SRF Programs required the SRF Programs to provide both loans and forgivable loans to public water systems for eligible projects.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

By operation of law, effective May 15, 2005, all assets and liabilities of the SRF Programs (including the outstanding bonds of the Indiana Bond Bank related to the SRF Programs) became the assets and liabilities of the Indiana Finance Authority instead of the State or the Indiana Bond Bank. For years ending on, or before, June 30, 2005, these assets and liabilities of the SRF Programs were previously reported as part of the respective financial statements of the State and/or the Indiana Bond Bank.

The Authority has capitalized its WSRF and DWSRF Programs with payments made under capitalization grants and with required state matching funds. Payments under, and the use of capitalization grants, are subject to federal law and regulated by the federal government, acting through the EPA.

Under the WSRF and DWSRF Acts, the Authority has responsibility for the administration and management of the WSRF and DWSRF Programs. The Authority has entered into Trust Indentures with The Bank of New York Trust Company, N.A., successor to J.P. Morgan Trust Company, N.A., to establish a series of separate funds and accounts for operation of the SRF Programs. The indentures create state revolving funds (the Funds) and govern the use of certain bond proceeds and capitalization grants under the WSRF Act and the DWSRF Act. The SRF Programs are being operated initially as leveraged programs, whereby the earnings on certain moneys deposited in the Funds, including payments on loans made from the Funds, are applied to pay debt service on bonds issued to finance the SRF Programs.

If necessary, the capitalization grants are deposited into the SRF Programs accounts and are available to pay scheduled debt service on the Revenue Bonds. SRF Programs participant loan repayments and interest earned on the SRF Programs investments is used to meet the debt service obligations for the Revenue Bonds. States are required to provide an additional 20 percent of the federal capitalization grant as matching funds in order to receive a grant. SRF Programs matching funds have been provided through the issuance of revenue bonds payable from the interest portion of the SRF Program participant loan repayments and the earnings on the funds. Federal contributions are funded and recognized as capital contributions when amounts are received. The Authority may use amounts of up to 4 percent of the federal capitalization grant to pay salaries and administrative costs incurred in the management of the SRF Programs.

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 2001A, 2002A, 2002B, 2004B, and 2004C Bonds, which by operation of law effective May 15, 2005, such liabilities of the SRF Programs became the liabilities of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2005A, 2006A, 2006B, 2007A, 2007B, 2009A, 2010A, 2010B, 2010C, 2011A, 2012A, 2012B, 2012C, 2013A, 2014A, 2014B, 2015A, 2015B, 2016A, and 2016B Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 7 and are secured by a common trust estate supported in part by participant loan repayments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates.

Restricted Net Position: Restricted net position is available for providing financial assistance related to water pollution control and drinking water projects and other purposes of the SRF Programs.

Cash and Equivalents: Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments: Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2016 and 2015, fair value approximates cost. Changes in the fair value of investments are included in the combined statements of revenues, expenses and changes in net position.

Allowance for Doubtful Accounts: Management's estimate of the allowance for doubtful accounts is determined through a review of individual loan balances' collectability, as well as the forgivable loans disbursed pursuant to the American Recovery and Reinvestment Act. The allowance for doubtful accounts was $16,738,899 and $15,988,599 at June 30, 2016 and 2015, respectively.

Bond Discounts, Premiums, and Bond Issuance Costs: Bond discounts and premiums are amortized using the interest method over the varying terms of the bonds issued. Bond issuance costs are recorded as expenses when incurred.

Operating Revenues and Expenses: Operating revenues and expenses generally result from providing services. Operating expenses include the cost of providing services and interest on debt. For enterprise funds, revenue and expense transactions normally classified as other than operating cash flows are classified as operating revenues and expenses if those transactions constitute principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses, and include capital contributions.

Subsequent Events: The Authority has evaluated the combined financial statements for subsequent events occurring through October 13, 2016, the date the combined financial statements were available to be issued.

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS

All cash and equivalents and investments are held by, or in the name of, The Bank of New York Trust Company, N.A., as trustee under certain indentures of trusts (Trust Indentures) pertaining to the SRF Programs and the bonds issued in connection with the SRF Programs. Pursuant to enabling statues, the investments permitted by the Trust Indentures represent investment policy choices that make the generally applicable provisions of Indiana Code 5-13 inapplicable to the SRF Programs' investments.

A summary of cash and equivalents and investments as of June 30, 2016 and 2015 follows:

2016

	Wastewater	Drinking Water	Total
Cash	$ 6,443	$ 590	$ 7,033
Bank deposits	6,736,163	-	6,736,163
Money market funds	231,577,372	62,751,477	294,328,849
Government obligations	429,946,109	114,944,212	544,890,321
	$ 668,266,087	$ 177,696,279	$ 845,962,366

2015

	Wastewater	Drinking Water	Total
Cash	$ 1,828	$ 1,453	$ 3,281
Bank deposits	9,246,748	-	9,246,748
Money market funds	440,301,665	85,911,063	526,212,728
Government obligations	145,152,324	81,638,471	226,790,795
	$ 594,702,565	$ 167,550,987	$ 762,253,552

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2016, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater Investment Maturities (in years)				
	Fair Value	< 1	1 – < 5	5 - < 10	> 10
Bank deposits	$ 6,736	$ 3,493	$ 3,243	$ -	$ -
Money market funds	231,577	231,577	-	-	-
Government obligations	429,946	81,683	303,229	36,377	8,657
	$ 668,259	$ 316,753	$ 306,472	$ 36,377	$ 8,657

	Drinking Water Investment Maturities (in years)				
	Fair Value	< 1	1 – < 5	5 - < 10	> 10
Money market funds	$ 62,752	$ 62,752	$ -	$ -	$ -
Government obligations	114,944	26,263	71,110	16,270	1,301
	$ 177,696	$ 89,015	$ 71,110	$ 16,270	$ 1,301

Credit Risk Disclosure: The following table (in thousands of dollars) provides information on the credit ratings associated with the SRF Programs' investments in debt securities at June 30, 2016:

	S&P	**Fitch**	**Moody's**	**Fair Value**
Bank deposits	AA+	AAA	Aaa	$ 6,736
Money market funds	AAAm	unrated	Aaa-mf	208,554
	AAAm	AAAmmf	Aaa-mf	85,775
Government obligations	AA+	AAA	Aaa	544,890
Total Rated Investments				$ 845,955

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk: The SRF Programs have no custodial credit risk. The investments are secured by government securities held pursuant to securities or repurchase contracts or otherwise secured by perfected security interest in the same. Such government securities are either issued or guaranteed by the U.S. Government, including United States Treasury obligations and any other obligations, the timely payment of principal and interest of which, are guaranteed by the U.S. Government and bonds, notes, debentures, obligations or other evidence of indebtedness issued and/or guaranteed by Fannie Mae, Federal Home Loan Mortgage Corporation, Government National Mortgage Association or any other agency or instrumentality of the United States, including, but not limited to, mortgage participation certificates, mortgage pass-through certificates, collateralized mortgage obligations and other mortgage-backed securities.

Concentration of Credit Risk: The SRF Programs place no limit on the amount that may be invested in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2016:

Federal Government Agency Debt	44%
Goldman Financial Square MM	22%
US Treasury	21%
Dreyfus Cash Management CI A Fd288	6%

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the SRF Programs make estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk. Also included in Level 3 are assets measured using a practical expedient that can never be redeemed at the practical expedient.

Following is a description of the valuation methodologies used by the SRF Programs for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2016 and 2015.

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

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

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

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

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

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, within each level of the fair value hierarchy, of the SRF Programs' assets that are measured at fair value on a recurring basis as of June 30, 2016 and 2015:

2016	**Level 1**	**Level 2**	**Total**
Assets			
Cash Equivalents:			
Money Market Fund Shares	$294,328,849		$294,328,849
Bank Deposits		$ 3,492,593	3,492,593
Government Obligations		107,945,640	107,945,640
Investments:			
Bank Deposits		3,243,570	3,243,570
Government Obligations		436,944,681	436,944,681
Total Assets at Fair Value	$294,328,849	$551,626,484	$845,955,333

2015	**Level 1**	**Level 2**	**Total**
Assets			
Cash Equivalents:			
Money Market Fund Shares	$526,211,979		$526,211,979
Bank Deposits		$ 2,499,916	2,499,916
Government Obligations		49,828,392	49,828,392
Investments:			
Money Market Fund Shares	749		749
Bank Deposits		6,746,832	6,746,832
Government Obligations		176,962,403	176,962,403
Total Assets at Fair Value	$526,212,728	$236,037,543	$762,250,271

At June 30, 2016 and 2015, the SRF Programs had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 4 - LOANS RECEIVABLE

The net proceeds from the issuance of the Revenue Bonds were deposited in the SRF Programs Account and are used primarily to fund loans to participants for eligible projects. The State's current intended use plans include a list of publicly-owned wastewater treatment works, a list of drinking water systems, and other projects proposed by eligible participants, which the State anticipates will be eligible for financial assistance.

The loans receivable balance at June 30, 2016 and 2015 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	Loans Receivable as of June 30, 2016	Loans Receivable as of June 30, 2015	Actual Loan Available Less Principal Repayments as of June 30, 2016
Wastewater Fund	$1,599,120,419	$1,629,031,608	$1,656,892,902
Drinking Water Fund	328,030,110	335,201,160	363,861,332
Total All Loans	$1,927,150,529	$1,964,232,768	$2,020,754,234

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Loans receivable includes current portions of $116,428,817 at June 30, 2016 and $141,354,595 at June 30, 2015.

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

As of June 30, 2016, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

Name of Participant	Loans Receivable as of June 30, 2016	Loans Receivable as of June 30, 2015	Actual Loan Available Less Principal Repayments as of June 30, 2016
Wastewater Fund			
City of Indianapolis (escrow)	$ 220,747,500	$ 238,161,500	$ 220,747,500
City of Terre Haute	151,415,000	152,001,000	151,415,000
City of Fort Wayne	141,427,867	162,523,970	147,051,042
City of Evansville	131,740,947	113,147,908	134,755,498
City of Hammond	65,160,000	68,100,000	65,160,000
City of Columbus	62,474,595	66,413,000	62,928,000
City of Jeffersonville	60,843,277	63,451,150	60,843,277
Drinking Water Fund			
City of Fort Wayne	$ 40,772,000	$ 44,129,000	$ 40,772,000
City of East Chicago	31,930,000	34,060,000	31,930,000
Town of Bargersville	17,180,000	17,795,000	17,180,000
City of Bloomington	16,015,000	17,846,000	16,015,000
City of Greensburg	12,543,950	13,288,050	12,543,950
City of Lake Station	10,962,298	11,048,500	10,986,000
City of Huntington	8,873,000	9,270,000	8,873,000
Indiana American Water Co., Inc.	8,161,606	8,997,717	8,161,606
City of Martinsville	7,085,000	7,662,000	7,085,000
City of Whitestown	6,993,000	6,941,281	6,993,000
Town of Speedway	5,852,947	5,854,947	5,852,947
Jackson County Water Utility, Inc.	5,824,444	4,278,293	6,185,000

NOTE 5 - INTEREST RECEIVABLE

Interest receivable consists of accrued interest on investments and loans to participants as follows:

Interest receivable at June 30, 2016:

	Investments	Loans	Total
Wastewater	$ 1,046,657	$ 18,004,621	$ 19,051,278
Drinking Water	296,269	3,361,140	3,657,409
	$ 1,342,926	$ 21,365,761	$ 22,708,687

Interest receivable at June 30, 2015:

	Investments	Loans	Total
Wastewater	$ 484,226	$ 18,851,323	$ 19,335,549
Drinking Water	163,156	3,356,821	3,519,977
	$ 647,382	$ 22,208,144	$ 22,855,526

NOTE 6 - ARBITRAGE REBATE AND YIELD REDUCTION PAYMENTS TO U.S. TREASURY

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. Any estimated liabilities, which were calculated as of January 31, 2016, are recorded in both the general short-term debt group for the current portion and the general long-term debt account group for the long-term portion. With respect to such bonds, as of June 30, 2016, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2009A		
Wastewater Fund	$667,393	January 31, 2019
Drinking Water Fund	97,740	January 31, 2019
	$765,133	

NOTE 7 - BONDS PAYABLE

Bonds payable at June 30, 2016 and 2015 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2016	2015
Wastewater Fund:		
Series 2016B Refunding Bonds issued April 7, 2016 for the aggregate amount of $53,115,000 to refund the callable portion of Series 2006B, and 2009A Bonds maturing from February 1, 2020 to February 1, 2028 at interest rate of 5.00%. Of this, $48,240,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$ 48,240,000	$ -
Series 2016A Bonds issued April 7, 2016 for the aggregate amount of $62,675,000 maturing from February 1, 2017 to February 1, 2036 at interest rates ranging from 4.00% to 5.00%. Of this, $56,715,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	56,715,000	-
Series 2015B Refunding Bonds issued March 19, 2015 for the aggregate amount of $139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this, $118,531,184 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	115,232,700	118,531,184
Series 2015A Bonds issued February 11, 2015 for the aggregate amount of $100,000,000, maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, $90,740,692 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	90,740,692	90,740,692

NOTE 7 - BONDS PAYABLE (CONTINUED)

		2016		2015
Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of $68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, $53,790,822 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$	53,472,517	$	53,472,517
Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of $45,090,000 to refund the callable portion of Series 2004B, 2004C, 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2024 at interest rates ranging from 3.00% to 5.00%. Of this, $32,210,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.		32,210,000		32,210,000
Series 2012C Bonds issued December 13, 2012 for the aggregate amount of $109,595,000, maturing from February 1, 2020 to February 1, 2032 at interest rates ranging from 3.00% to 5.00%. Of this, $99,415,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.		99,415,000		99,415,000
Series 2012B Bonds issued August 30, 2012 for the aggregate amount of $139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, $122,110,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, $23,595,000 was refunded.		93,600,000		94,210,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2016	2015
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of $137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, $126,070,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$ 109,075,000	109,920,000
Series 2011A Bonds issued October 26, 2011 for the aggregate amount of $191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, $140,515,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	42,495,000	42,495,000
Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of $64,925,000 to refund the callable portion of Series 2001A, 2002B, and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, $57,370,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	57,370,000	57,370,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of $100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, $80,000,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	59,970,000	62,045,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2016	2015
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of $288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, $246,735,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	$ 175,210,000	$ 212,080,000
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of $138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, $121,235,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, $57,410,000 was refunded. In April 2016, $40,330,000 was refunded.	15,750,000	59,380,000
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of $94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, $66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, $3,640,000 was refunded and $29,855,000 was cash defeased. In March 2015, $18,320,000 was refunded.	3,910,000	5,655,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of $142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, $112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, $7,680,000 was refunded. In April 2014, $22,960,000 was refunded and $32,865,000 was cash defeased. In April 2016, $12,745,000 was refunded.	4,840,000	22,455,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2016	2015
Series 2006A Bonds issued April 25, 2006 for the aggregate amount of $221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, $203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, $24,945,000 was refunded and $3,265,000 was cash defeased. In April 2014, $1,750,000 was refunded and $50,180,000 was cash defeased.	$ 41,245,000	$ 51,605,000
Series 2004C Bonds issued June 23, 2004 for the aggregate amount of $200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%. In February 2010, $31,640,000 was refunded. In February 2012, $82,335,000 was refunded and in February 2013, $6,650,000 was cash defeased. In April 2014, $6,200,000 was cash defeased.	-	8,410,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of $200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, $167,480,000 was the final allocation to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, $13,549,109 was refunded. In October 2010, $6,528,667 was refunded. In February 2012, $38,610,798 was refunded and in February 2013, $4,260,000 was cash defeased. In April 2014, $13,312,319 was cash defeased.	26,785,274	26,785,274
Subtotal-Wastewater	1,126,276,183	1,146,779,667

NOTE 7 - BONDS PAYABLE (CONTINUED)

		2016		2015
Drinking Water Fund:				
Series 2016B Refunding Bonds issued April 7, 2016 for the aggregate amount of $53,115,000 to refund the callable portion of Series 2006B and 2009A Bonds maturing from February 1, 2020 to February 1, 2028 at interest rates ranging of 5.00%. Of this, $4,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$	4,875,000	$	-
Series 2016A Bonds issued April 7, 2016 for the aggregate amount of $62,675,000 maturing from February 1, 2017 to February 1, 2036 at an interest ranging from 4.00% to 5.00%. Of this, $5,960,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.		5,960,000		-
Series 2015B Refunding Bonds issued March 19, 2015 for the aggregate amount of $139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2015 at interest rates ranging from 2.00% to 5.00%. Of this, $21,183,816 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.		20,832,300		21,183,816
Series 2015A Bonds issued February 11, 2015 for the aggregate amount of $100,000,000 maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, $9,259,308 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.		9,259,308		9,259,308

NOTE 7 - BONDS PAYABLE (CONTINUED)

		2016		2015
Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of $68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, $14,559,178 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$	14,477,483	$	14,477,483
Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of $45,090,000 to refund the callable portion of Series 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2024 at interest rates ranging from 3.00% to 5.00%. Of this, $12,880,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.		12,880,000		12,880,000
Series 2012C Bonds issued December 13, 2012 for the aggregate amount of $109,595,000, maturing from February 1, 2021 to February 1, 2032 at interest rates ranging from 4.00% to 5.00%. Of this, $10,180,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.		10,180,000		10,180,000
Series 2012B Bonds issued August 30, 2012 for the aggregate amount of $139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, $17,145,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, $6,085,000 was refunded.		10,290,000		10,290,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2016	2015
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of $137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, $11,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	$ 7,325,000	$ 7,440,000
Series 2011A Bonds issued October 26, 2011 for the aggregate amount of $191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, $50,870,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	48,100,000	49,550,000
Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of $64,925,000 to refund the callable portion of Series 2001A, 2002B and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, $7,555,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	7,555,000	7,555,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of $100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, $20,000,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	15,150,000	15,745,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

		2016		2015
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of $288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, $42,235,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	$	26,250,000	$	34,550,000
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of $138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, $17,755,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, $6,715,000 was refunded. In April 2016, $5,185,000 was refunded.		2,290,000		8,140,000
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of $94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, $28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, $1,695,000 was refunded and $7,295,000 was cash defeased. In March 2015, $7,960,000 was refunded.		3,095,000		4,545,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of $71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, $9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, $3,500,000 was refunded and $1,040,000 was cash defeased. In March 2015, $2,255,000 was refunded.		540,000		980,000

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2016	2015
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of $142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, $30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, $2,745,000 was refunded. In April 2014, $9,740,000 was refunded.	$ 2,155,000	$ 4,205,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amount of $221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, $17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, $4,405,000 was refunded. In April 2014, $85,000 was cash defeased.	4,630,000	5,930,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of $200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, $32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, $2,310,891 was refunded. In October 2010, $1,201,333 was refunded. In February 2012, $7,669,202 was refunded. In April 2014, $3,622,681 was cash defeased.	5,199,726	5,199,726
Subtotal-Drinking Water	211,043,817	222,110,333
Total Principal	1,337,320,000	1,368,890,000
Net premium on bonds payable	154,408,344	155,024,047
Total Bonds Payable	1,491,728,344	1,523,914,047
Less: Current portion	89,050,000	89,100,000
Long-term Portion	$1,402,678,344	$ 1,434,814,047

NOTE 7 - BONDS PAYABLE (CONTINUED)

In April 2016, the Authority issued $53,115,000 2016B Refunding Bonds. The bonds were sold at a premium and refunded $58,260,000 par amount of prior debt. The refunding debt was used to refund the callable portion of the Series 2006B and 2009A Bonds. The cash flow savings was $5,506,623 with a net present value savings of $4,758,724.

In April 2015, the Authority cash defeased in advance of their stated maturity dates the Series 2005A Bonds. A cash deposit of $92,276,367 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling $93,282,313.

In March 2015, the Authority issued $139,715,000 2015B Refunding Bonds. The bonds were sold at a premium and refunded $149,460,000 par amount of prior debt. The refunding debt was used to refund the callable portion of the Series 2007A, 2007B, 2009A, and 2012B Bonds. The cash flow savings was $24,762,060 with a net present value savings of $17,409,227.

The bonds referred to above are considered to have been defeased and have been removed from the combined financial statements and in total have remaining outstanding balances of $507,270,000 and $563,085,000 as of June 30, 2016 and 2015, respectively.

NOTE 7 - BONDS PAYABLE (CONTINUED)

The aggregate debt service requirements and premiums for all bonds allocable to the SRF Programs as of June 30, 2016, are as follows:

	Principal			Interest			
	Wastewater Fund	Drinking Water Fund	Total	Wastewater Fund	Drinking Water Fund	Total	Debt Service Total
2017	$ 74,264,189	$ 14,785,811	$ 89,050,000	$ 54,100,003	$10,031,423	$ 64,131,426	$ 153,181,426
2018	79,574,751	10,935,249	90,510,000	51,482,893	9,411,113	60,894,006	151,404,006
2019	101,203,377	19,781,623	120,985,000	47,650,656	8,879,450	56,530,106	177,515,106
2020	93,169,774	21,845,226	115,015,000	42,578,450	7,972,681	50,551,131	165,566,131
2021	99,416,710	23,108,290	122,525,000	37,968,661	6,924,795	44,893,456	167,418,456
2022-2026	338,044,636	72,360,364	410,405,000	129,868,466	21,025,716	150,894,182	561,299,182
2027-2031	258,571,928	41,398,072	299,970,000	58,087,648	7,983,121	66,070,769	366,040,769
2032-2036	82,030,818	6,829,182	88,860,000	8,918,628	577,874	9,496,502	98,356,502
	1,126,276,183	211,043,817	1,337,320,000	430,655,405	72,806,173	503,461,578	1,840,781,578
Premium	133,561,907	20,846,437	154,408,344	-	-	-	154,408,344
Total	$1,259,838,090	$231,890,254	$1,491,728,344	$430,655,405	$72,806,173	$503,461,578	$1,995,189,922

NOTE 7 - BONDS PAYABLE (CONTINUED)

The following is a summary of total debt service without premiums:

	Interest Rates Ranges	Maturity Range	Annual Payment Range			Principal
Wastewater Fund	2.00% - 5.50%	2017-2036	$ 5,290,000	-	$101,203,377	$1,126,276,183
Drinking Water Fund	2.00% – 5.50%	2017-2035	737,967	-	23,108,290	211,043,817
Combined Programs	2.00% - 5.50%	2017-2035	5,290,000	-	122,525,000	1,337,320,000
Less: Current Portion						(89,050,000)
Total Long-term Portion						$1,248,270,000

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2016 and 2015 was as follows:

June 30, 2016:	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
Amount due to federal government	$ 2,102,210	$ -	$ (1,337,077)	$ 765,133	$ -	$ 765,133
Bonds payable	1,368,890,000	115,790,000	(147,360,000)	1,337,320,000	89,050,000	1,248,270,000
Net premium on bonds payable	155,024,047	24,204,161	(24,819,864)	154,408,344	-	154,408,344
	$1,526,016,257	$139,994,161	$(173,516,941)	$1,492,493,477	$89,050,000	$1,403,443,477

June 30, 2015:	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
Amount due to federal government	$ -	$ 2,102,210	$ -	$ 2,102,210	$ -	$ 2,102,210
Bonds payable	1,487,055,000	239,715,000	(357,880,000)	1,368,890,000	89,100,000	1,279,790,000
Net premium on bonds payable	131,417,475	53,277,898	(29,671,326)	155,024,047	-	155,024,047
	$1,618,472,475	$295,095,108	$(387,551,326)	$1,526,016,257	$89,100,000	$1,436,916,257

NOTE 9 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its combined financial statements. In its Intended Use Plans, the SRF Programs retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2016, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2016 could be so transferred on a net cumulative basis between the two SRF Programs funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2016, to date, the following transfers were made:

2001	$ 20,464,898
2002	3,120,183

NOTE 10 - PROGRAM REVENUE

For the years ended June 30, 2016 and 2015, program revenues consisted of the following:

	2016	2015
Interest and other income	$66,271,960	$ 63,602,663
Capital grants and contributions	33,562,882	47,607,436
	$99,834,842	$111,210,099

OTHER SUPPLEMENTARY INFORMATION

	Wastewater Program		Drinking Water Program		Eliminations	Combined	
	2016	2015	2016	2015	2016	2016	2015
ASSETS							
Current Assets:							
Cash and equivalents	$ 316,759,512	$ 454,063,846	$ 89,014,603	$124,479,722		$ 405,774,115	$ 578,543,568
Interest receivable-investments	1,046,657	484,226	296,269	163,156		1,342,926	647,382
Interest receivable-loans	18,004,621	18,851,323	3,361,140	3,356,821		21,365,761	22,208,144
Due from EPA	-	33,617,000	1,148,699	13,032,193		1,148,699	46,649,193
Accounts receivable	1,068,836	-	-	-	$ (1,068,836)	-	-
Loans receivable, net	92,494,561	118,506,782	23,934,256	22,847,813		116,428,817	141,354,595
Total Current Assets	429,374,187	625,523,177	117,754,967	163,879,705	(1,068,836)	546,060,318	789,402,882
Noncurrent Assets:							
Investments	351,506,575	140,638,719	88,681,676	43,071,265		440,188,251	183,709,984
Loans receivable, net	1,506,625,858	1,510,524,826	304,095,854	312,353,347		1,810,721,712	1,822,878,173
Equipment, net	109,853	395,680	1,750	64,750		111,603	460,430
Total Noncurrent Assets	1,858,242,286	1,651,559,225	392,779,280	355,489,362	-	2,251,021,566	2,007,048,587
Total Assets	2,287,616,473	2,277,082,402	510,534,247	519,369,067	(1,068,836)	2,797,081,884	2,796,451,469
DEFERRED OUTFLOWS OF RESOURCES							
Loss on debt refunding	25,424,523	30,674,910	3,391,504	4,475,061		28,816,027	35,149,971
Total Deferred Outflows of Resources	25,424,523	30,674,910	3,391,504	4,475,061	-	28,816,027	35,149,971
LIABILITIES							
Current Liabilities:							
Interest payable	22,141,452	22,317,053	4,138,636	4,291,162		26,280,088	26,608,215
Accounts payable	438,816	356,048	1,268,269	76,547	(1,068,836)	638,249	432,595
Bonds payable-current, net	74,264,189	72,383,485	14,785,811	16,716,515	-	89,050,000	89,100,000
Total Current Liabilities	96,844,457	95,056,586	20,192,716	21,084,224	(1,068,836)	115,968,337	116,140,810
Long-term Liabilities:							
Amount due to federal government	667,393	1,497,256	97,740	604,954		765,133	2,102,210
Bonds payable, net	1,185,573,900	1,207,007,597	217,104,444	227,806,450		1,402,678,344	1,434,814,047
Total Long-term Liabilities	1,186,241,293	1,208,504,853	217,202,184	228,411,404	-	1,403,443,477	1,436,916,257
Total Liabilities	1,283,085,750	1,303,561,439	237,394,900	249,495,628	(1,068,836)	1,519,411,814	1,553,057,067
NET POSITION							
Restricted for water pollution and drinking water projects and other related program purposes	$1,029,955,246	$1,004,195,873	$276,530,851	$274,348,500	$ -	$1,306,486,097	$1,278,544,373

	Wastewater Program 2016	Wastewater Program 2015	Drinking Water Program 2016	Drinking Water Program 2015	Combined 2016	Combined 2015
OPERATING REVENUE						
Interest income-investments	$ 8,960,184	$ 4,780,782	$ 2,838,915	$ 1,838,987	$ 11,799,099	$ 6,619,769
Interest income-loan participants	43,878,868	46,327,453	9,421,807	9,883,314	53,300,675	56,210,767
Administration and premium fees	14,000	20,000	12,019	10,006	26,019	30,006
Other	-	-	1,146,167	742,121	1,146,167	742,121
Total Operating Revenue	52,853,052	51,128,235	13,418,908	12,474,428	66,271,960	63,602,663
OPERATING EXPENSES						
Interest	43,345,929	55,841,551	8,359,511	12,405,805	51,705,440	68,247,356
Bond issuance costs	1,021,350	1,476,630	106,584	199,010	1,127,934	1,675,640
Trustee fees	75,612	48,872	-	-	75,612	48,872
Other program and administrative	1,295,842	3,419,817	1,104,207	1,369,116	2,400,049	4,788,933
Total Operating Expenses	45,738,733	60,786,870	9,570,302	13,973,931	55,309,035	74,760,801
OPERATING INCOME (LOSS)	7,114,319	(9,658,635)	3,848,606	(1,499,503)	10,962,925	(11,158,138)
NONOPERATING REVENUES AND (EXPENSES)						
Capital contributions	32,200,000	33,617,000	1,362,882	13,990,436	33,562,882	47,607,436
Loan forgiveness	(13,554,946)	(435,780)	(3,029,137)	(2,750,733)	(16,584,083)	(3,186,513)
Total Nonoperating Revenues and (Expenses)	18,645,054	33,181,220	(1,666,255)	11,239,703	16,978,799	44,420,923
INCREASE IN NET POSITION	25,759,373	23,522,585	2,182,351	9,740,200	27,941,724	33,262,785
NET POSITION						
Beginning of Year	1,004,195,873	980,673,288	274,348,500	264,608,300	1,278,544,373	1,245,281,588
End of Year	$ 1,029,955,246	$ 1,004,195,873	$ 276,530,851	$ 274,348,500	$ 1,306,486,097	$ 1,278,544,373

	Wastewater Program		Drinking Water Program		Eliminations	Combined	
	2016	2015	2016	2015	2016	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash payments for salaries, administrative and other expenses	$ (3,187,385)	$ (1,896,465)	$ 726,468	$ (107,693)		$ (2,460,917)	$ (2,004,158)
Administration fee	14,000	20,000	12,019	10,006		26,019	30,006
Net Cash Provided (Used) by Operating Activities	(3,173,385)	(1,876,465)	738,487	(97,687)	-	(2,434,898)	(1,974,152)
CASH FLOWS FROM INVESTING ACTIVITIES							
Maturities of loans to participants	149,215,837	184,707,814	25,760,173	31,467,102		174,976,010	216,174,916
Issuance of loans to participants	(119,304,648)	(164,585,102)	(18,589,123)	(13,931,595)		(137,893,771)	(178,516,697)
Change in investments	(210,867,856)	10,887,010	(45,610,411)	37,287,060		(256,478,267)	48,174,071
Interest received on loans and investments	53,123,323	52,324,224	12,123,290	11,967,686		65,246,613	64,291,910
Change in capital assets	285,827	(76,530)	63,000	3,000		348,827	(73,530)
Net Cash Provided (Used) by Investing Activities	(127,547,517)	83,257,416	(26,253,071)	66,793,253	-	(153,800,588)	150,050,670
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Proceeds from debt issuance	127,107,776	255,882,582	12,886,385	37,110,316		139,994,161	292,992,898
Principal payments to reduce indebtedness including refunding	(141,410,382)	(315,055,590)	(24,435,538)	(69,137,926)		(165,845,920)	(384,193,516)
Payment of debt issuance costs, net of refunding	(1,021,350)	(1,476,630)	(106,584)	(199,010)		(1,127,934)	(1,675,640)
Interest paid on debt	(43,521,530)	(57,476,673)	(8,512,037)	(12,970,671)		(52,033,567)	(70,447,344)
Net Cash Provided (Used) by Non-Capital Financing Activities	(58,845,486)	(118,126,311)	(20,167,774)	(45,197,291)	-	(79,013,260)	(163,323,602)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES							
Capital Contributions (EPA Grants)	65,817,000	33,790,000	13,246,376	14,162,096		79,063,376	47,952,096
Issuance of forgivable loans to participants	(13,554,946)	(435,780)	(3,029,137)	(2,750,733)		(16,584,083)	(3,186,513)
Net Cash Provided by Capital Financing Activities	52,262,054	33,354,220	10,217,239	11,411,363	-	62,479,293	44,765,583
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(137,304,334)	(3,391,140)	(35,465,119)	32,909,638		(172,769,453)	29,518,499
CASH AND EQUIVALENTS							
Beginning of Year	454,063,846	457,454,986	124,479,722	91,570,084		578,543,568	549,025,069
End of Year	$316,759,512	$454,063,846	$89,014,603	$124,479,722	$ -	$405,774,115	$578,543,568
RECONCILIATION OF OPERATING INCOME (LOSS)TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES							
Operating income (loss)	$ 7,114,319	$ (9,658,635)	$ 3,848,606	$ (1,499,503)		$ 10,962,925	$ (11,158,138)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Interest income	(52,839,052)	(51,108,235)	(12,260,722)	(11,722,301)		(65,099,774)	(62,830,536)
Interest expense	43,345,929	55,841,551	8,359,511	12,405,805		51,705,440	68,247,356
Bond issuance costs	1,021,350	1,476,630	106,584	199,010		1,127,934	1,675,640
Changes in assets and liabilities:							
Accounts receivable	(1,068,836)	2,000	-	-	$ 1,068,836	-	2,000
Accounts payable	82,768	72,968	1,191,722	(85,652)	(1,068,836)	205,654	(12,684)
Amount due to federal government	(829,863)	1,497,256	(507,214)	604,954		(1,337,077)	2,102,210
Net Cash Provided (Used) by Operating Activities	$ (3,173,385)	$ (1,876,465)	$ 738,487	$ (97,687)	$ -	$ (2,434,898)	$ (1,974,152)

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
INDEPENDENT AUDITORS' REPORTS

June 30, 2016

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STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

CONTENTS

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Our People: Your Success

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of State Revolving Fund Loan Programs, an enterprise fund of the Indiana Financing Authority, which comprise the combined statement of net position as of June 30, 2016, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated October 13, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered State Revolving Fund Loan Programs' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of State Revolving Fund Loan Programs' internal control. Accordingly, we do not express an opinion on the effectiveness of State Revolving Fund Loan Programs' internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether State Revolving Fund Loan Programs' combined financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 13, 2016

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18000116-0	$ 32,200,000	$ 32,200,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548612-0	14,970,000	75,458
	66.468	FS98548614-0	286,960	33,037
	66.468	FS98548615-0	285,060	285,060
	66.468	FS98548615-0	1,000,000	697,116
	66.468	FS98548616-0	13,214,320	1,000,000
	66.468	FS98548616-0	539,360	418,379
				2,509,049
				$ 34,709,049

See accompanying notes to schedule of expenditures of federal awards.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* for federal awards made prior to December 26, 2014 and the Uniform Guidance for federal awards made on or subsequent to December 26, 2014, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - SUBRECIPIENTS

State Revolving Fund Loan Programs provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Clean Water State Revolving Funds	66.458	$32,200,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468	1,075,458

At June 30, 2016, the balance of ARRA forgivable loans was $16,738,899, and loans forgiven during fiscal year 2016 were $16,584,083.

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on Compliance for Each Major Federal Program

We have audited State Revolving Fund Loan Programs' compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of State Revolving Fund Loan Programs' major federal programs for the year ended June 30, 2016. State Revolving Fund Loan Programs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of State Revolving Fund Loan Programs' compliance.

Opinion on Each Major Federal Program

In our opinion, State Revolving Fund Loan Programs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the combined financial statements of State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2016, and have issued our report thereon dated October 13, 2016, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 13, 2016

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

SECTION I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Agency	Title
66.458	U.S. Environmental Protection Agency	Capitalization Grants for Clean Water State Revolving Funds
66.468	U.S Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2016

SECTION I – Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$1,041,272
Auditee qualified as low-risk auditee?	✓ yes _____ no

SECTION II – Financial Statement Findings

None

SECTION III – Major Federal Award Findings and Questioned Costs

None

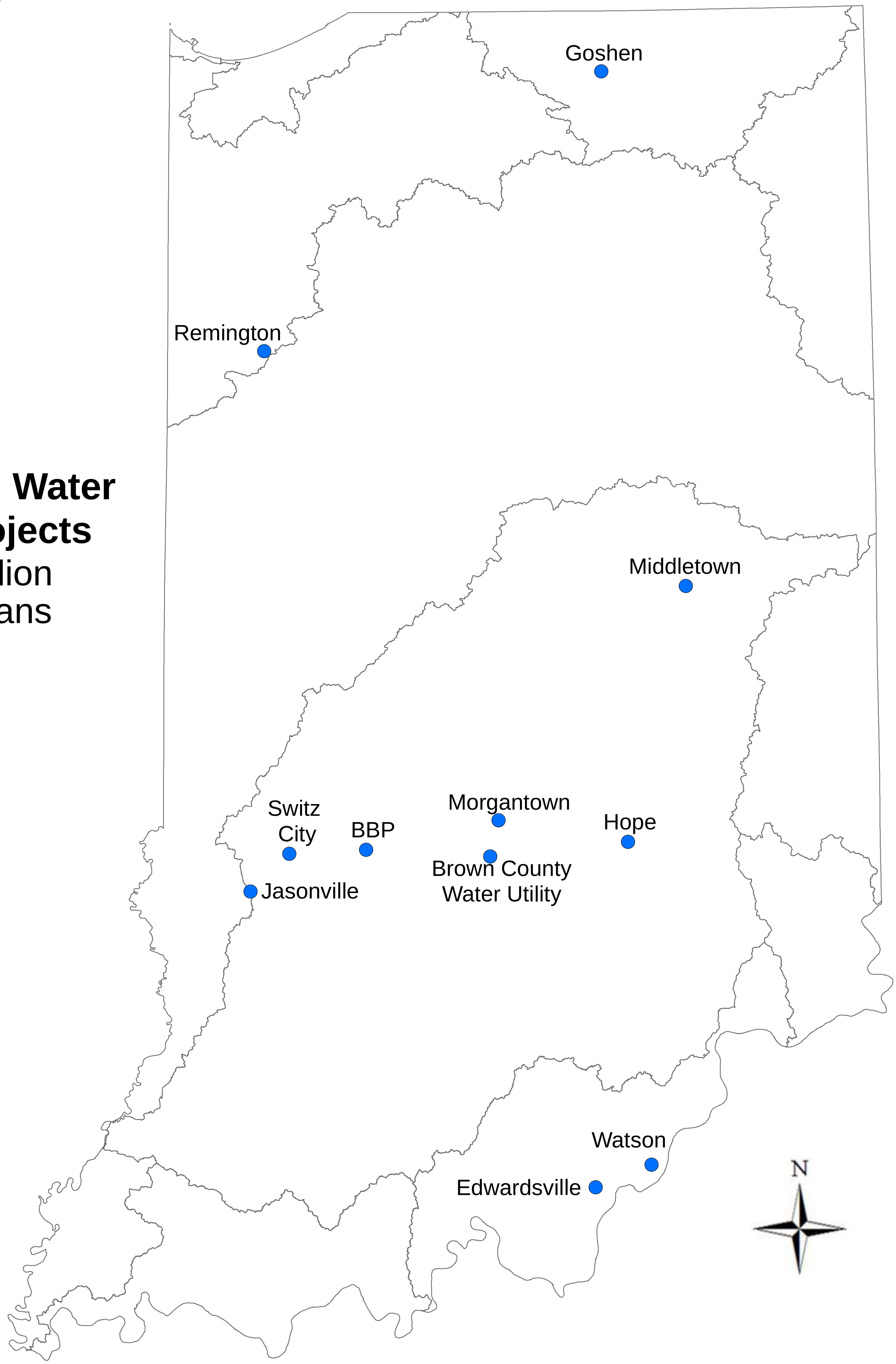
Environmental Programs

Brownfields

Exhibit O

Indiana Finance Authority
State Revolving Fund Loan Programs

Drinking Water Projects Closed State Fiscal Year 2016



- **Drinking Water 2016 Projects**

  $38.3 Million

  11 Loans

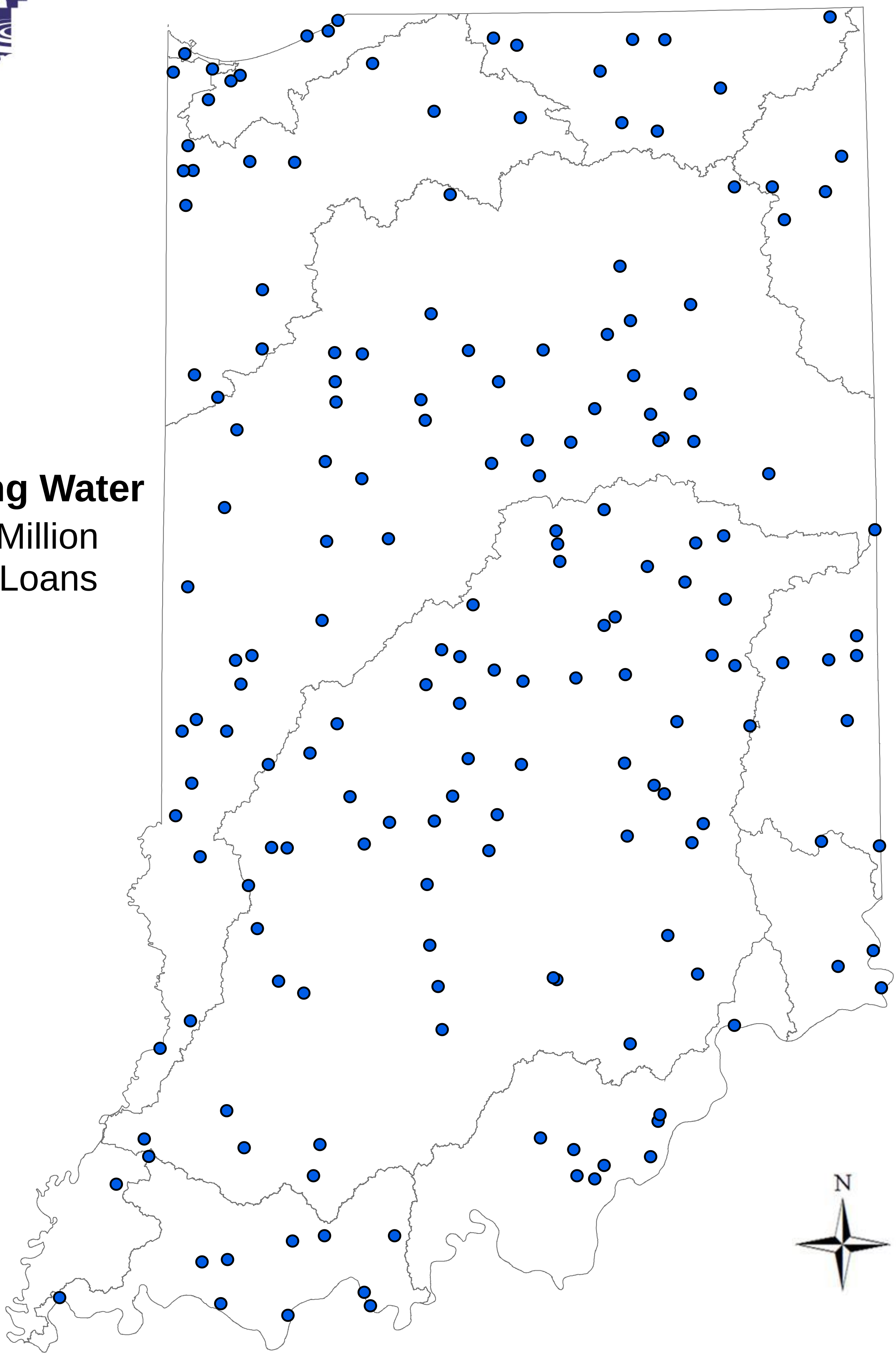
Environmental Programs

Brownfields

Exhibit P

Indiana Finance Authority
State Revolving Fund Loan Programs

All Drinking Water Projects Closed Since 1999



Drinking Water
$640 Million
228 Loans

Indiana DWSRF Loan Program
Exhibit Q - Summary of Set-Aside Funds in SFY 2016

Capitalization Grant Year	Set-Aside	Current Award Amount	Balance on 7/1/2015	ASAP Activity Date	Activity Amount	Description	Balance on 6/30/2016
2014	Administrative	286,960.00	94,196.16	09/30/15	(94,196.16)	DW Administrative Expenses	-
2015	Administrative	285,060.00	285,060.00	09/30/15	(120,445.31)	DW Administrative Expenses	
				12/30/15	(154,312.17)	DW Administrative Expenses	
				03/31/16	(10,302.52)	DW Administrative Expenses	-
2015	State Program Management*	1,000,000.00	1,000,000.00	06/30/15	(299,790.46)	State Program Management Expenses	
				09/30/15	(233,883.35)	State Program Management Expenses	
				12/30/15	(213,103.06)	State Program Management Expenses	
				02/01/16	(174,431.97)	State Program Management Expenses	
				03/31/16	(56,133.73)	State Program Management Expenses	
				05/18/16	(22,657.43)	State Program Management Expenses	-
2016	Administrative	269,680.00	-	06/29/16	(269,680.00)	DW Administrative Expenses	-

*Planning and Long Range needs of large systems and community assistance with SWERP.

Exhibit Q

Summary of Activities Completed Under the State Program Management Set-Aside

The State took $1,000,000 (approximately 7%) of the 2015 Capitalization grant, of the State Program Management Set-Aside for source water activities. The activities included:

1. Conduct a survey of the operations of the water utility and prepare an analysis of the planning and long range needs of the water utilities that serve the fifteen most populous cities in Indiana and five additional small water utilities.
2. Coordinate with and assist utilities in the completion of Surface Water Emergency Response Plans (SWERP) for each of the 32 public water systems in the State that rely upon surface water intake.
3. Complete a report that describes the State's water resources for the purpose of long term planning.

Agency Responsibilities

To complete these source water protection and infrastructure assessment goals, the Indiana Finance Authority (Authority) worked with the Indiana Department of Environmental Management (IDEM) and third party contractors. A Memorandum of Agreement (MOA) between IDEM and the Authority set forth the responsibilities of each party. In addition, Professional Services Agreements entered into with each selected contractor further defined their responsibilities. Below is a brief description of the responsibilities and the deliverables.

- The Authority and third-party contractors performed the outreach and coordination to complete an analysis of the operations, planning, and long range needs of the water utilities in the State that serve the fifteen most populous cities and five additional small water utilities in Indiana that serve communities with a population of less than 10,000.
- The Authority, IDEM and third party contractors assisted with the completion of SWERPs for Indiana drinking water utilities that rely upon the collection and treatment of surface water for their customers.
- IDEM utilized existing staff resources to perform inspections and assist with the identification of potential sources of contamination upstream of surface water intakes, including an inventory of aboveground storage tanks.

Funds from the Set Aside were used for the following activities:

1. Preparation of the report, "*Evaluation of Water Utility Planning in Indiana: a survey of best practices, challenges, and needs, October 2015*"

   As directed by Senate Bill 474, the Authority prepared a report on the status of planning and long range needs of 20 water utilities in Indiana. More specifically, the purpose of the report was to determine: 1) plans for continued access to water resources, 2) approaches used to assure fiscal sustainability and ratepayer protection, 3) regional cooperation among utilities and 4) other information relevant to planning. During the time period of January 2015 to December 2015, the Authority and its contractors met with representatives of 20 Indiana water utilities to discuss these issues. Also, during that time, the Authority and its contractors met with representatives from 10 state and federal agencies, who are involved in water planning in Indiana, to gain their perspective these topics. A copy of the resulting report, *Evaluation of Water Utility Planning in Indiana*, can be found on the Authority website (www.in.gov/ifa).

2. Implementation of the Indiana Source Water Emergency Response Plan Updates

   The Authority led the development of a project to amend the Emergency Response Plans of all the Community Water Systems (CWSs) served by surface water in Indiana. Although all surface water CWSs are required to have an Emergency Response Plan, the Indiana Department of Environmental Management (IDEM) desired to provide assistance to these systems in the form of an appendix to the ERP that would contain, among other things, additional data on Potential Contaminant Sources (PCS). To that end the Authority, IDEM, and its consultant, implemented a plan to contact and request the involvement of these systems. After these systems expressed their support, the team then retrieved data on the PCS that were already available through state databases and compiled a report of the PCS data in the form of tables and maps. Participation by the systems was voluntary. SWERP efforts include:

   - The Authority contacted thirty-three systems to assist with the completion of SWERPs. One system was in the process of converting from a surface water system to a ground water plant, and was not in need of assistance.
   - Thirty-three meetings were conducted with the systems.
   - IDEM, Authority and third-party contractors have conducted approximately 55 internal meetings to plan facility meetings, review plans, and organize tasks for SWERP completion.
   - Only one system initially chose to not fully utilize the Authority's assistance. However, after consideration that system has contacted the Authority and requested assistance.
   - The Authority has completed five presentations on the SWERP program to external partners. These include the Indiana Silver Jackets, Indiana SERC, Emergency Management Agency in District 8, a Stormwater Drainage Conference and to the Indiana Environmental Rules Board.

As a result of these efforts twenty-nine Response Plans have been completed and three are in the review process at the time of this report.

3. Identification of potential sources of contamination upstream of surface water intakes, including an inventory of above ground storage tanks.

   In January 2014, a spill from an AST in West Virginia caused the shutdown of a public water system that left 300,000 residents without public drinking water. In response to this incident many states re-evaluated their regulation of ASTs and made changes to their laws. The Indiana Legislature passed Senate Enrolled Act 312, effective July 1, 2015, establishing certain AST reporting requirements for tanks not already addressed under existing state or federal requirements. For tanks that hold more than 660 gallons, and that have at least 10% of their outer surface above ground, the legislation directed IDEM to:

- Compile a list of all requirements for the reporting of information about ASTs that exist under federal law, federal regulations, Indiana law, and Indiana administrative rules.
- Obtain copies of all publicly available forms for the reporting of information about ASTs in compliance with the requirements or a representative sample of the forms.
- Submit a report containing the list of requirements and the copies of forms, to the legislative council in an electronic format under IC 5-14-6.
- Include an analysis of the existing requirements for the reporting of information about ASTs that identifies instances in which reporting requirements might be considered insufficient, and instances in which the reporting of information is already adequate.

The legislation also charged the Indiana Environmental Rules Board (ERB) to adopt rules concerning the AST reporting requirements. On October 14th, 2015, the ERB in accordance with IC 13-18-5.5-10(d), adopted the AST Reporting Emergency Rule temporarily adding provisions for the submission of an AST reporting form (State Form 55906), found at http://www.in.gov/idem/cleanwater/2369.htm.

IDEM developed an interactive map to assist the owner or operator in identifying if they are located in a Critical Zone of Concern (i.e. an area in which a chemical constituent could travel to a water intake of a public utility that uses surface water as a source of drinking water and has a potential to cause a disruption), the map can be viewed at http://www.in.gov/idem/cleanwater/2369.htm.

This report provides a compilation of federal and state laws and/or regulations for managing ASTs in Indiana. The report also includes a brief analysis of the adequacy and/or inadequacy of the existing federal and state reporting requirements, along with copies of the reporting forms and any additional submission requirements.

IDEM's Report of Aboveground Storage Tank Rules and Regulations Pursuant to SEA 312 [PDF] was submitted to the legislature before November 1, 2015, as required.

Facilities registered 218 ASTs located in critical areas that will be reviewed by field inspectors during their routine inspections of regulated facilities to protect the populations served by surface water.