STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program

Intended Use Plan

State Fiscal Year 2008

July 1, 2007

Drinking Water State Revolving Fund
Intended Use Plan SFY 2008
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State of Indiana
Drinking Water State Revolving Fund
Intended Use Plan
SFY 2008

I. Introduction

The acronyms and terms used herein are defined in Appendix A, *Definitions.*

Pursuant to the Safe Drinking Water Act (SDWA), the State, acting through its Indiana Finance Authority (Authority), hereby submits to the United States Environmental Protection Agency (EPA) and the public this Intended Use Plan (IUP) for State Fiscal Year (SFY) 2008 for its Drinking Water State Revolving Fund (DWSRF). An IUP is prepared each fiscal year to identify the uses of all monies available to the DWSRF. This IUP will also support the State's Federal Fiscal Year (FFY) 2008 Capitalization Grant application to obtain additional Capitalization Grant awards.

The mission of the DWSRF Loan Program is to provide low-cost financial assistance in order to construct necessary and environmentally sound drinking water infrastructure; to facilitate statewide compliance with state and federal drinking water standards; to maintain a fiscally self-sufficient program as a continuing source of funding for improvement and protection of public health; and, to conduct any other activity permitted by the Safe Drinking Water Act.

The DWSRF Loan Program is administered by the Authority. The Authority is responsible for setting priorities for loan assistance from the DWSRF, which is evidenced by a Project Priority List (PPL). The PPL for SFY 2008 is attached as *Appendix B*. The PPL includes all Proposed Projects.

II. 2008 DWSRF Loan Program Goals and Objectives

Short-term goals and objectives are those the State expects to achieve during SFY 2008, 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 2008, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

(ST1) Seek the immediate award of the 2008 capitalization grant. Continue to disburse loan proceeds such that the 2008 Capitalization Grant can promptly be deposited and, as expenditures are incurred or paid, be converted to cash.

(ST2) Evaluate the success of the DWSRF Loan Program in terms of the number of DWSRF projects that provide the following public health benefits:

- Achieve compliance with the Safe Drinking Water Act
- Maintain compliance with the Safe Drinking Water Act
- Meet future requirements of the Safe Drinking Water Act

(ST3) Review financial statements for one-half of Participants to ensure compliance with the covenants contained in the loan documents and conduct on-site financial visits as necessary

(ST4) Conduct as least 18 technical inspections during the construction phase and the post-construction phase of DWSRF financed projects to document the construction progress of DWSRF financed projects, as well as the appropriate use of DWSRF Funds.

(ST5) Conduct the 2007 Drinking Water Infrastructure Needs Survey and Assessment, with a goal of 100% participation.

(ST5) Administer the State's Small System Technical Assistance Fund Program with the goal of providing needed financial assistance for the planning & design costs of SRF projects contemplated by small and lower income communities.

(ST6) Administer the Arsenic Grant Remediation Program with the goal of providing financial assistance for compliance with the new arsenic standard to all SRF eligible public water systems that currently cannot meet the newly lowered standard.

(ST7) Monitor DWSRF set-aside balances and expiration dates of those Capitalization Grants administered by the Indiana Department of Environmental Management (IDEM) and reconcile to EPA set-aside balances quarterly. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing our set-aside spending rate.

(ST8) Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

(ST9) Work diligently with Participants and effectively manage Proposed Projects to assist Participants in closing loans and constructing their projects in a timely, efficient manner. This is accomplished by the following metrics:

(ST9a) Schedule a Project Planning Meeting with each Participant within two weeks of receipt of application.

(ST9b) Issue a follow-up letter to each Participant within 5 days after a Project Planning Meeting.

(ST9c) Perform a completeness review within 10 days of receipt of a Preliminary Engineering Report.

(ST9d) Complete a technical review of each Preliminary Engineering Report in less than 45 days.

(ST9e) Issue environmental review documents in less than 90 days.

(ST9f) Approve bidding documents in less than 5 days.

B. Long-Term Goals and Objectives

During SFY 2008, the State continues work to achieve the following long-term goals:

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

(LT2) 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.

(LT3) 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, to ensure the DWSRF Loan Program continues to avoid loan defaults. Require Participants to utilize Paying Agent Agreements as warranted.

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

(LT5) Monitor Participant's draw of funds to assure loans are being drawn within two years. Assure that un-drawn funds are returned to the loan pool and made available to other Participants.

(LT6) Submit required reports to EPA in a well-prepared and timely manner, and ensure that EPA funds are accessed within one week of being made available to the State.

(LT7) Publish a quarterly SRF Loan Program newsletter.

(LT8) Work with the other State and Federal drinking water infrastructure financing agencies to coordinate efficient and effective financing of drinking water projects.

(LT9) Develop a comprehensive database for staff to reference all information related to each SRF project.

III. Financial Status of the DWSRF

A. Sources and Uses of Funds

Capitalization Grants, Guarantee Revenue Bond proceeds, and State Match Revenue Bond proceeds are used to capitalize the DWSRF Loan Program. In turn, the majority of the bond proceeds are loaned to Participants for eligible projects. The DWSRF Loan Program utilizes its Capitalization Grants to serve as security for Guarantee Revenue Bonds issued by the State, the proceeds of which are loaned to Participants. Earnings on the Capitalization Grants serve as a source of payment for Guarantee Revenue Bonds and State Match Revenue Bonds issued by the State.

Appendix D, *Intended Uses of the Funds,* identifies the intended uses of the funds held in DWSRF accounts, and how those uses support the goals of the DWSRF Loan Program. Appendix D 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.

B. Available Funds

During SFY 2008, the State intends to provide funds to meet existing loan commitments and to make new loans through the issuance of additional Guarantee Revenue Bonds and State Match Bonds. The issuance of these bonds will occur as, when and in amounts that are necessary for the State to meet the cash flow borrowing needs of existing and new loans. Binding commitments are only made from the DWSRF when a financial assistance agreement is entered into with a Participant.

In order to maximize the amount of funds that the DWSRF Loan Program can lend, the State employs a leveraged financing structure, which limits precision in predicting capacity. Future funding capacity can vary materially if there are changes in the calculating assumptions such as future loan interest rates, future interest rates on Guarantee Revenue Bonds and State Match Revenue Bonds, the rate at which Capitalization Grants are converted to cash, the amount of future Capitalization Grants, and future investment rates.

The maximum amount of funding available for loans depends on:

- Demand for the DWSRF Loan Program as evidenced by Proposed Projects;
- Participants' readiness-to-proceed as evidenced by completion of a PER and other steps necessary to secure a DWSRF Loan Program loan within SFY 2008; and
- The capacity of the DWSRF to issue additional Guarantee Revenue Bonds and State Match Revenue Bonds to generate additional loanable funds, which requires sufficient cash flows to repay them.

In addition to the SFY 2007 capitalization grant, which was awarded May 30, 2007, the State expects to seek and be awarded in SFY 2008 a Capitalization Grant in the amount of approximately $11 million. When combined with the funds currently available to the State, the State estimates that it will have $25 million available for DWSRF loans.

During SFY 2007, the DWSRF Loan Program reached capacity, meaning the program had committed all of its available funds for fully subsidized loans for SFY 2007. In response, the State offered eligible Participants the "SRF Pooled Program," which is financing at the same "AAA" interest rate available to the SRF Program at the time of their loan closing. Most Participants realize substantial savings when compared to their "open market" rate. Pooled Loan closings are tentatively schedule for Fall 2007 and Spring 2008.

C. Cross-collateralization of the CWSRF with the DWSRF

To the extent permitted by the CWA and the SDWA, and their incumbent regulations, the State has cross-collateralized the Clean Water State Revolving Fund (CWSRF) and the DWSRF Loan Programs to optimize their capitalization requirements and to better manage the specific funding needs of projects assisted through them.

This cross-collateralization arrangement maximizes the security for bonds issued by the State to capitalize the SRF Programs. Accordingly, this could relate to and affect all types of funds held in them. 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. To date, no transfers of this nature have been made.

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

IV. Distribution of Funds

A. Allocation of Funds to the DWSRF and the Set-aside Accounts

The SDWA permits the State to use a Capitalization Grant for a variety of purposes to protect drinking water. In addition to making loans for the construction of drinking water infrastructure, the State may use the Capitalization Grant to support activities in the IDEM Drinking Water Program, such as: provide technical assistance to drinking water systems; improve the technical, managerial, or financial capacity of drinking water systems; and develop programs to protect sources of drinking water. Among the most important decisions the State makes when preparing the IUP is allocating the Capitalization Grant funds between infrastructure loans and other activities known as "set-asides."

In SFY 2008, the State will take the Administrative and State Program Management set-asides only (see Section VI. *Set-Asides*).

B. Interest Rates

Indiana's DWSRF Loan Program uses a Base Interest Rate, which is re-set on the first business day of each January, April, July, and October. The Base Rate is calculated by using 90 percent of the average 20-year AAA-rated, general obligation bond Monthly Market Data (MMD) composite index for the most recent calendar month. The Base Rate is discounted further based on the Participant's median household income (MHI) from 2000 Census data and projected post-project monthly user rates, as follows:

	User rates over $45	**User rates between $25-$45**	**User rates under $25**
MHI under $33,669	{C} Rate – 0.75%	{C} Rate – 0.50%	{A} Rate – 0.50% = {C} Rate
MHI between $33,670-$41,566	{B} Rate – 0.75%	{B} Rate – 0.50%	{A} Rate – 0.25% = {B} Rate
MHI over $41,567	{A} Rate – 0.75%	{A} Rate – 0.50%	Base Rate = {A} Rate

The Participant's financial information is reviewed by the DWSRF Loan Program to finalize a DWSRF interest rate. The Participant's rate consultant completes this rate study before a rate ordinance is adopted at the local level.

Wrapped DWSRF loans may be charged 25 additional basis points to help offset the additional subsidy they afford. The DWSRF Loan Program has the discretion to waive the extra charge for Participants. Any Participant proposing to use a wrap structure will be required to justify it by showing a substantial effect on User Rates.

Interest rates for not-for-profits and for-profit entities will be set at the discretion of the State and may be higher, but no lower than the interest rates calculated by the means set forth immediately above.

The DWSRF Loan Program will monitor DWSRF Loan Program interest rates and make adjustments as appropriate; however, these adjustments will not affect loans closed prior to the adjustment.

C. Terms

Consistent with applicable law, all DWSRF Loan Program loans will be structured so that at a minimum annual principal repayments commence one year after expected completion of the project, and a final principal payment will occur no later than 20 years after expected completion of the project. Additionally,

the State expects level debt service payments except in limited circumstances, such as where DWSRF Loan Program debt service is wrapped around a Participant's existing debt based on user rate affordability. Executing a DWSRF Loan Program loan on any basis other than level, aggregate annual debt service is subject to additional State review and approval.

D. Other Types of Assistance Provided

The DWSRF Pooled Program supplements the DWSRF Loan Program. To this end, the State will have the right to blend a large project with assistance from the DWSRF Pooled Program. For instance, the State may require non-construction loans ("planning and design") loans to be funded by the DWSRF Pooled Program. Furthermore, the State may require loans that are requests for additional funding to be funded by the DWSRF Pooled Program.

The State will consider refinancing, commensurate with federal and State law, where (i) a Participant is proposing a new drinking water project that will result in a significant improvement in drinking water quality and (ii) as a result of State law or other restrictions on the Participant (including existing bond ordinance, trust indenture or credit agreement provisions), a refinancing of the existing debt is necessary or convenient as a matter of law or prudent fiscal or credit policy.

E. Fees Assessed on Recipients

The costs of making and securing loans include the fees and expenses of bond counsel, DWSRF Program Counsel, and the cost of making appropriate municipal disclosures. The State expects Participants to offset some of these costs through a Loan Closing Fee, which is $1,000 per Participant. The DWSRF Program may also assess a Non-Use Fee on funds not used for project costs two years following the loan closing. The total dollar amount in the DWSRF Administrative Fee account as of June 30, 2007 was $26,894.

F. DWSRF Financial Planning and Long-term Financial Health

The State employs financial advisor, Lamont Financial Services Corporation, to evaluate the financial status and health of the DWSRF and make recommendations that support sustainability.

G. Transfers to the DWSRF from the CWSRF

The State has retained the flexibility to permit transfers between the DWSRF and the CWSRF 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. Appendix D, *Intended Uses of the Funds,* identifies transfer balances.

Each transfer would only be made between accounts established for like purposes and subject to like restrictions in the SRF Loan Programs and would be accounted for on a cumulative net basis. Consistent with prior transfers, the State expects that transfers would be from funds held in its Grant Equity account or other funds held in the SRF and that such funds would be used to generate additional lending capacity under the leverage loan structure of the DWSRF. The State would expect only to make transfers in a manner consistent with agreements related to outstanding Guarantee Revenue Bonds and State Match Revenue Bonds.

V. Selection of Systems to Receive Assistance

A. Priority System

In determining which Proposed Projects will receive loans, the State follows criteria for assistance established by the SDWA. To the extent practical, the State expects to give priority to projects that propose the following items:

- Address the most serious risk to human health;
- Are necessary to ensure compliance with the SDWA; and
- Assist systems most in financial need on a per household basis according to state affordability criteria.

The priority system, designed to implement the SDWA criteria, is attached as *Appendix C, DWSRF Loan Program Project Scoring and Ranking Worksheet.*

B. Project Priority List (PPL)

The PPL attached as *Appendix B,* ranks Proposed Projects for which PERs were received by June 30, 2007. All other Proposed Projects for which the Authority received applications by June 30, 2007, but for which PERs have not been submitted, are listed alphabetically un-scored and un-ranked on the PPL. The names of the public water systems along with a description of the types of projects, the expected amount of assistance and the system sizes are listed on the PPL.

C. List of Projects Expected to Receive Assistance – Fundable Range

To inform the public of current estimates regarding the DWSRF's financial capacity and to direct DWSRF Loan Program assistance to the highest priorities where possible, the State has calculated a "Fundable Range" for Proposed Projects. The Authority estimates that the Fundable Range for the DWSRF is approximately $ 25 million, not including the award of the FFY 2008 capitalization grant.

The Fundable Range is one tool the State uses to plan and prioritize its responsibilities and resources. The Authority has determined that funds available are insufficient to fund all projects on the PPL, therefore, those Proposed Projects within the Fundable Range will be afforded a priority of resources; most notably, preference in closing a loan as soon as the necessary programmatic and financial steps are completed.

D. Bypass Procedure

The Authority has determined that funds on-hand are insufficient to fund projects in addition to those within the Fundable Range, therefore, the State will use the following bypass procedures to allow other projects on the PPL to receive financial assistance from the DWSRF during SFY 2008. These bypass procedures enable projects originally identified outside the Fundable Range to be funded when higher-priority projects have not yet progressed to a stage allowing for loan closing. However, if a bypassed project becomes ready to proceed, it will have funding priority over other projects below it on the PPL. The following Bypass Process will be used in SFY 2008:

1. The DWSRF Loan Program will note the Fundable Range on the SFY 2008 PPL and notify all Participants with Proposed Projects on the PPL of their status. Participants will be advised that being in the Fundable Range does not mean that a loan commitment is made or that funding is guaranteed or reserved; rather it means funding priority will be given to those Proposed Projects.

2. All Participants that are eligible for subsidized financing must bid the entire DWSRF Loan Program financed project in advance of a DWSRF loan closing.

3. Up to December 31, 2007, only projects in the Fundable Range will be permitted to close a DWSRF loan.

4. After December 31, 2007, the DWSRF Loan Program will permit the bypass of projects within the Fundable Range that have not closed, or scheduled to close a loan. The DWSRF Loan Program will extend the Fundable Range by the amount of such bypassed projects. This is intended to afford Participants otherwise outside the original Fundable Range to gain priority in working quickly to close their loans.

5. After December 31, 2007, any project ready to close a DWSRF Loan Program loan under applicable DWSRF Loan Program lending requirements will be permitted to do so. If the DWSRF Loan Program determines it has insufficient lending capacity, then the highest-scored Proposed Projects, at a readiness-to-proceed stage, will close first.

6. Proposed Projects that are necessary to alleviate unanticipated catastrophic or emergency situations that pose a threat to public health may be elevated to the top of the PPL upon the recommendation of the IDEM's Drinking Water Program. Emergency projects may include, but not be limited to, the loss of safe drinking water resulting from the following events: flood, fire, system collapse, tornado, weather damage or hazardous spills. Therefore, such emergency projects may be added to the top of the PPL for immediate assistance. One or more Proposed Projects in the original Fundable Range may be moved out of the Fundable Range in order to provide loans to emergency projects.

7. Notwithstanding the foregoing, after December 31, 2007, the DWSRF Loan Program may institute additional or alternative conditions and limits other than as expressed in this IUP to tentatively select Participants for closing eligibility and to bypass any such tentatively selected Participant. Without limitation, these may include (i) bypassing Participants that fail to close within a 30-day (or shorter) period of being notified of timing and eligibility to close, (ii) limiting loan closing amounts to lesser amounts than requested, (iii) requiring evidence of full project funding if all funding needs are not provided through the DWSRF Loan Program at a loan closing, (iv) conditionally reserving funding for any Participant commitments, etc.

8. All unfunded Proposed Projects are eligible to remain on the next SFY's PPL if they inform the DWSRF Loan Program of their desire to do so.

E. Small Systems

Of the total amount available for assistance from the DWSRF each year, the State will make at least 15 percent available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects. A small system is a public water system that regularly serves 10,000 or fewer persons. Population is a criterion of the priority system – small systems receive more points than large systems – (See *Appendix C*) and the State monitors the population of Participants in order to verify this requirement.

VI. Set-Asides

On June 30, 2007, the balance of unexpended dollars in the Set-Aside Funds was $ 4,249,304.42, including the SFY 2007 capitalization grant, awarded May 30, 2007. The balance in each Set-Aside is listed in the attached spreadsheet, Appendix E, *Summary of Set-Aside Funds.*

The State will use a portion of its 2008 Capitalization Grant for set-aside activities. The *Set-Asides Work Plan for SFY 2008,* in Appendix F, outlines the set aside activities and dollar amounts the State expects to complete in SFY 2008.

VII. Disadvantaged Community Assistance

The State defines a disadvantaged community as a Participant with both 1) a Median Household Income (MHI) below $ 33,669, as established by the 2000 US Census, and 2) an estimated post project user rate greater than $ 45.00 per month. These communities receive the lowest interest rate the State provides to DWSRF Participants (see Section IV, part B, *Interest Rates*). The State does not currently provide principal forgiveness or negative interest rate loans.

VIII. Public Review

The State will conduct a meaningful public review during the development of the SFY 2008 IUP.

The main components of our public review include:

1. Mailing or emailing the SFY 2008 IUP to PPL applicants and their respective engineering and financial consultants;
2. Mailing or emailing the SFY 2008 IUP to members of the Indiana Environmental Infrastructure Workgroup (US Army Corps of Engineers, Economic Development Administration, USDA Rural Development, Indiana Office of Community and Rural Affairs, Indiana State Dept of Agriculture, Indiana Rural Development Council, Indiana Rural Water Association, Alliance of Indiana Rural Water, and Indiana Rural Community Assistance Program);
3. Posting the SFY 2008 IUP on our website.

The DWSRF Loan Program will respond to any major SFY 2008 IUP comment or concern; the process of such response will be determined by the nature of the comment or concern.

IX. Amending the IUP

This IUP, including the PPL, may be amended during SFY 2008 in accordance with federal and State Law, and any amendments to the PPL for the addition of drinking water projects will subject to public review.

APPENDIX A

DWSRF Definitions

Terms used in this document have the following meanings:

Binding Commitment means a closed DWSRF loan.

Bypass Process means the procedure which allows the State to bypass projects identified in a Fundable Range if the Indiana Finance Authority determines that there may be insufficient resources to fund all loans on the PPL during the SFY. It allows projects originally identified outside the Fundable Range to be funded when higher-priority projects have not yet progressed to a stage allowing for loan closing.

Capitalization Grant means a federal grant, as evidenced by an agreement with the United States Environmental Protection Agency that provides funds to capitalize the DWSRF.

CWA means the Clean Water Act of 1972, as amended and supplemented and codified at 33 United States Code Section 1251 et seq., and the rules and regulations promulgated there under.

Drinking Water Branch (DWB) means the Indiana Department of Environmental Management's program area responsible for operating programs to fulfill the requirements of the Safe Drinking Water Act.

Drinking Water SRF (DWSRF) means the State's Drinking Water State Revolving Fund created in accordance with the SDWA and State law.

DWSRF Loan Program means the State's revolving fund loan program for drinking water infrastructure established under and pursuant to I.C. 13-18-21 and the programs afforded thereby.

Environmental Protection Agency (EPA) means the federal agency responsible for promulgating regulations to implement environmental statutes including the Safe Drinking Water Act and from which the DWSRF receives Capitalization Grants.

Federal Fiscal Year (FFY) means the fiscal year beginning October 1st and ending September 30th.

Fiscal Year (FY) means the fiscal year for the year indicated.

Fundable Range means an estimated current loan capacity which is determined by various assumptions. Defined at the commencement of the SFY, it determines which projects on the PPL are expected to receive assistance from the available funds subject to the DWSRF's Bypass Process.

Guarantee Revenue Bonds means one or more series of revenue bonds issued from time to time by the State to fund the DWSRF Program. Federal Capitalization Grants provide security for, and the DWSRF is the source of revenue for, the payment of Guarantee Revenue Bonds. Guarantee Revenue Bond net proceeds are loaned to Participants to finance Proposed Drinking Water Projects.

Indiana Department of Environmental Management (IDEM) means the State's environmental regulatory agency.

Indiana Finance Authority (Authority) means the State entity that administers the Indiana SRF Loan Programs pursuant to IC 4-4-11.

Intended Use Plan (IUP) means the document that is required to be prepared annually to support the State's Capitalization Grant application, which identifies the uses of all monies available to the DWSRF.

Median Household Income (MHI) means the average annual income for a given region as determined by the most recent federal census data.

Municipal Market Data (MMD) means the composite index used in pricing municipal bonds.

Nonpoint Source (NPS) Pollution means water pollution from diffuse, rather than discrete sources. It is caused by precipitation moving over and through the ground

Participant(s) means public water systems that are eligible for financial assistance from the DWSRF. Public water systems eligible for SRF assistance are for-profit and non-profit Community Water Systems (e.g. municipalities, political subdivisions, and private mobile home parks) and non-profit Non-Community Water systems (e.g. schools, churches, day cares, and group homes).

Political Subdivision means a municipal corporation, special taxing district, sanitary/conservancy district, regional water, sewer, or waste district, or any other separate local governmental entity. "Political Subdivision" is more specifically described in Indiana Code 13-11-2-164.

Preliminary Engineering Report (PER) means the document(s) submitted by the Participant that provides the information necessary for the DWSRF Loan Program to determine the technical, economic, and environmental adequacy of the Proposed Project.

Project Planning Meeting means an initial meeting held with the Participant to gain an understanding of the Participant's needs, and to explain DWSRF Program requirements and the process involved in closing a loan.

Project Priority List (PPL) means the list of eligible Proposed Projects, seeking financial assistance, in the order of their priority ranking. It includes Proposed Projects that are preliminarily scored and unranked as well as those that are scored and ranked on the basis of needs, prepared pursuant to Section 1452 of the SDWA.

Proposed Project means the drinking water infrastructure project and NPS project proposed by Participants for DWSRF financing in SFY 2008, which will be reviewed for qualification and ranking under Section 1452 of the SDWA.

Public Water System (PWS) means a system that supplies piped water for human consumption and has at least 15 service connections or 25 persons who are served by the system for 60 or more days each year.

Scoring and Ranking System means the priority ranking system; a system by which the DWSRF staff evaluates and ranks Proposed Projects for listing on the PPL.

SDWA means the Safe Drinking Water Act of 1974, as amended, Section 1452, and the rules and regulations promulgated there under including 40 CFR Part 35.

Set-Asides means the allowed uses of DWSRF Capitalization Grant monies specifically identified in Section 1452 of the SDWA that are not directly associated with the construction of capital improvement projects.

Small System Technical Assistance Fund (SSTAF) means funds from DWSRF Set-Asides that are made available to qualified Participants in order to provide assistance with planning and design costs related to their DWSRF Projects.

Source Water Protection means a strategy to protect water supplies in their natural state (before treatment) from pollution that can threaten health, lives, and community development.

State Fiscal Year (SFY) means the period of time beginning July 1st and ending June 30th.

State Law means Indiana Code 13-18-21 et seq. with applicable definitions at Indiana Code 13-11-2 and the rules and regulations promulgated there under.

State Match means the State's commitment to provide matching funds equal to 20 percent of each Capitalization Grant for the DWSRF.

State Match Revenue Bonds means one or more series of revenue bonds issued by the State Issuer as needed to fund its State Match.

State Revolving Fund (SRF) Loan Programs or SRF Loan Programs means both the DWSRF and CWSRF Loan Programs.

Cleanwater SRF (CWSRF) Loan Program means the State's revolving fund loan program for wastewater infrastructure established under and pursuant to I.C. 13-18-21 and the programs afforded thereby.

Wellhead Protection means a strategy to protect groundwater drinking supplies from pollution that can threaten health, lives, and community development.

Appendix B - Project Priority List

DRINKING WATER STATE REVOLVING FUND (DWSRF) LOAN PROGRAM
PROJECT PRIORITY LIST (PPL)

Eligible Projects Applying for Financial Assistance (20 year loan) in State Fiscal Year 2008 (July 1, 2007 - June 30, 2008) 1st Quarter (July 1, 2007)

	Score (100 max.)	Rank	DWSRF Loan Applicants	Service Area Population	PWS ID# Project #	Project Categories A	B	C	D	E	Median Household Income	Estimated Construct Cost	Estimated Non Const. Cost	Estimated Total Project Cost	Projects in the Fundable Range
												----------Costs in $1,000----------			
Scored & Ranked	34	1	**Town of Whitestown**	2,171	5206006 DW 051606 02	X	X	X	X		$52,869	$4,059	$236	$4,295	no
	18	2	**Town of Rosedale**	825	5261007 DW 070161 01	X	X		X		$34,519	$592	$175	$767	yes
	17	3	**Town of Russellville**	380	5267008 DW 060167 01	X	X	X		X	$34,375	$790	$280	$1,070	no
	17	4	**Town of Santa Claus**	2,040	5274010 DW 060674 01	X	X		X		$47,981	$5,267	$1,134	$6,401	yes
	16	5	**Town of Earl Park**	470	5204003 DW 061304 01		X		X		$32,981	$639	$168	$807	no
	15	6	**Dupont Water Company**	3,132	5240004 DW 060739 01		X	X		X	$40,249	$2,081	$331	$2,412	yes
	15	7	**City of Boonville**	10,260	5287001 DW 050186 01	X	X	X	X		$34,913	$9,865	$1,255	$11,120	no
	14	8	**City of Whiting**	5,200	5245048 DW 103228 01	X	X	X			$34,972	$2,799	$509	$3,308	no
	14	9	**City of Greensburg**	11,500	5216002 DW 070316 02	X	X	X	X		$38,029	$5,500	$2,000	$7,500	yes
	14	10	**Town of Churubusco**	1,666	5292003 DW 101193 01	X		X			$39,583	$1,575	$365	$1,940	no
	13	11	**City of Martinsville**	15,000	5255009 DW 102221 01		X	X		X	$32,746	$7,110	$1,297	$8,407	yes
	12	12	**Town of Chandler**	14,500	5287002 DW 061287 01	X	X	X	X		$49,972	$9,155	$3,422	$12,577	no
	10	13	**Edwardsville Water Corporation**	9,183	5222001 DW 061422 01		X				$51,573	$945	$370	$1,315	yes
Unscored & Unranked	Application Only	-	**City of Connersville**	16,000	5221001 DW 080121 01		X	X			$40,833	$12,192	$2,565	$14,757	no
	Application Only	-	**City of East Chicago**	33,001	5245012 DW 199110 03	X	X	X	X		$26,538	$34,852	$10,480	$45,332	no
	Application Only	-	**Town of Universal**	520	5283011 DW 070583 02		X	X	X		$36,042	$203	$80	$283	no

A = Treatment / Disinfection, B = Transmission/Distribution, C = Storage, D = Supply, and E = Other

A project must submit a complete Preliminary Engineering Report (PER) to DWSRF in order to be "Scored & Ranked" on the PPL. A "Scored & Unranked" project has submitted a PER after July 1. An "Unscored & Unranked" project has submitted an application only. If two or more projects score equally, the project with the highest Initial Score from the DWSRF Scoring Worksheet will prevail; first in Section 1 (Acute Public Health/SDWA Compliance), then Section 2 (Chronic Public Health/SDWA Compliance, and finally Section 3 (Public Health/Waterworks Compliance). If a tie persists, then the project that serves the smallest population will prevail.

APPENDIX C - SCORING AND RANKING SYSTEM
INDIANA DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
PROJECT SCORING AND RANKING WORKSHEET

Project Name:	
SRF Project Number:	PWS ID #:
Reviewer:	Date:

	Initial Score	*Maximum Allowed Score*	**Final Score**
Section 1: Acute Public Health / SDWA Compliance (55 points maximum)		*55 points*	
Section 2: Chronic Public Health / SDWA Compliance (25 points maximum)		*25 points*	
Section 3: Public Health / Waterworks Regulations Compliance (10 points maximum)		*10 points*	
Section 4: Affordability (7 points maximum)		*7 points*	
Section 5: Bonus (3 points maximum)		*3 points*	
		Total Score:	

INSTRUCTIONS:
Projects are scored using the following criteria so that they can be ranked according to their priority on the Drinking Water State Revolving Fund (DWSRF) Loan Program Project Priority List (PPL). To the extent practical, the DWSRF Loan Program expects to give priority to projects that:

1. Address the most serious risk to human health;
2. Are necessary to ensure compliance with the Safe Drinking Water Act (SDWA); and
3. Assist systems most in financial need on a per household basis according to state affordability criteria.

Points are assigned only when the proposed project intends to correct the problem that is associated with the points. For example, if the public water system has persistent violations of a Maximum Contaminant Level (MCL) but the proposed project does not address that problem, the points associated with persistent violations of a MCL will not be assigned. However, if the applicant does not have persistent MCL violations, but the project will address another public water system's persistent MCL violations, such as through consolidation, the points associated with the persistent MCL violations will be assigned.

The total number of available points is 100. To determine score, circle and total the points that apply. The Final Score cannot exceed the Maximum Allowed Score. For example, if in Section 1, the project addresses problems associated with 100 points, then the Initial Score is 100 points. Because the Maximum Allowed Score in Section 1 is 55 points, the Final Score is 55 points. If two or more projects score equally, the project with the highest Initial Score will prevail; first in Section 1, then Section 2, and finally Section 3. If a tie persists, then the project that serves the smallest population will prevail.

A project must submit a complete Preliminary Engineering Report (PER) to DWSRF in order to be "Scored and Ranked" on the PPL. A "Scored & Unranked" project has submitted a PER after July 1. An "Unscored & Unranked" project has submitted an application only.

Section 1: Acute Public Health / SDWA Compliance

Acute public health concerns affect an individual in the immediate short-term. Assign points to projects that address acute public health concerns occurring within the last three years.

1. Administrative Order, Agreed Order, or Indiana Department of Environmental Management (IDEM) Commissioner declaring a waterborne emergency at existing water works for acute public health concerns **(50 points)**

2. Surface Water Treatment Rule violation, (including Backwash Filter Rule) i.e., inadequately treated surface water or groundwater under the influence of surface water **(50 points)**

3. Persistent Total Coliform Rule (TCR) or Nitrate violations **(50 points)**

4. Inadequate individual home water supplies documented by the local or state health department to show health hazards, such as exceeding the Drinking Water Maximum Contaminant Levels **(50 points)**

5. Consolidation of a non-complying public water system (acute public health concerns) **(50 points)**

6. Condition determined to be an acute public health concern by the Commissioner of IDEM or ISDH **(50 points)**

7. Compliance maintained in anticipation of a new regulation relating to acute public health **(45 points)**

Initial Score _____

Section 2: Chronic Public Health / SDWA Compliance

Chronic public health concerns affect an individual over a lifetime. Assign points to projects that address chronic public health concerns occurring within the last three years.

1. Administrative Order or Agreed Order for chronic public health concerns **(20 points)**

2. Persistent MCL violations (Volatile Organic Compounds, Synthetic Organic Compounds, Inorganic Compounds, Radionuclides or Disinfection Byproducts Rule) **(20 points)**

3. Lead and Copper Action Level violations **(20 points)**

4. Significant noncompliance (SNC) as determined by IDEM **(20 points)**

5. Consolidation of a non complying public water system (chronic public health concerns) **(20 points)**

6. Condition determined to be an chronic public health concern by the Commissioner of IDEM or ISDH **(20 points)**

7. Compliance maintained in anticipation of a new regulation relating to chronic public health **(15 points)**

Initial Score _____

Section 3: Public Health / Waterworks Regulations Compliance

Assign points to projects for infrastructure improvements that will bring the existing public water systems into compliance with IDEM and/or waterworks regulations, such as Recommended Standards For Water Works 2003 Edition (A Report of the Water Supply Committee of the Great Lakes – Upper Mississippi River Board of State and Provincial Public Health and Environmental Managers).

1. Resolve an IDEM connection ban, early warning notice or a non SDWA violation **(10 points)**
2. Resolve inadequate pressure in water works **(10 points)**
3. Resolve conditions of inadequate quantity of a water supply, including individual home wells **(7 points)**
4. Ensure that drinking water receives appropriate treatment to meet secondary standards **(7 points)**
5. Ensure storage capacity in the water works is adequate **(7 points)**
6. Reduce leakage and increase accountability **(5 points)**
7. Ensure adequate flow in distribution system **(5 points)**
8. Prevent conditions favoring the entrance of contaminants into the distribution system **(3 points)**
9. Install eligible security measures (alternate intake, fencing, lighting, cameras, motion detectors, secure chemical and fuel storage, security hatches, and access panels) **(3 points)**

Initial Score _____

Section 4: Affordability and Population

Affordability points are assigned to assist community water systems most in need on a per household basis. Therefore, non-community systems are not eligible to receive affordability points. Sources for median household income and population data include the most recent U.S. Census and the IDEM Safe Drinking Water Information System (SDWIS). The post project annual water bill is based on an average monthly water bill (based on 4,000 gallons) x 12 months and rounded to one decimal place.

A. Affordability: post-project annual water bill as a percentage of median household income

Community water systems only.

1. Greater than or equal to 2.0 % **(3 points)**
2. 1.5 – 1.9 % **(2 points)**
3. 1.0 – 1.4 % **(1 points)**
4. Less than or equal to 0.9 % **(0 points)**

B. Population served by the project

Community and non-community water systems

1. Less than or equal to 3,300 **(4 points)**
2. 3,301 to 10,000 **(3 points)**
3. 10,001 to 99,999 **(1 points)**
4. Greater than or equal to 100,000 **(0 points)**

Initial Score _____

Section 5: Bonus Points

Bonus points encourage community water systems to perform planning and proper operation and maintenance. Non-community water systems are not eligible for bonus points.

A. Other Funds Available

Points are assigned to encourage community water systems to have other funds (cash on hand, grants or other loans) in addition to the construction loan from the DWSRF Program. The percentage is calculated by dividing the other funds by the total project cost and rounded to a whole number. Assign points based on whether the system has the committed funds (**Awarded**) or is still in process of applying for other funds (**Applying**).

1. Less than or equal to 10 % **(0 points)**
2. 11-50 % **(Awarded: 2 points / Applying: 1 points)**
3. Greater than or equal to 50% **(Awarded: 3 points / Applying: 2 points)**

B. Capacity Development

1. Maintains a Utility Operational Manual **(1 point)**
2. Maintains a Strategic Plan **(1 point)**
3. Completes a Self-Assessment Survey in order to assess the technical, managerial and financial capability of the utility (does not have to be IDEM specific) **(1 point)**
4. Attends training for Utility Board Drinking Water Administrators **(1 point)**
5. Consolidation of a SDWA compliant public water system or interconnection **(1 point)**
6. Zero SDWA violations in last 12 months **(1 point)**
7. >95% customers metered **(1 point)**
8. Unaccounted for water <15% **(1 point)**
9. Project includes Wellhead Protection Plan Implementation measures **(1 point)**
10. Public Water System utilizes a Water Conservation Ordinance **(1 point)**

Initial Score _____

Appendix D to the Intended Use Plan for SFY[1] 2008
Expeditious and Timely Use of Funds in the Indiana Finance Authority's SRF Accounts

This Appendix 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 Appendix 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 2007 and will continue to be in perpetuity.

Drinking Water Purchase Account.

Sources of Funds: Funds held in this account[2] come from proceeds of Program Bonds[3] 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 2007 as well as loans anticipated to be closed in SFY 2008 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 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, 2007, the aggregate amount of closed and committed loans were approximately equal to the balance in this account. As additional loans are closed in SFY 2008, such committed amount will exceed amount available in this account ("Excess Commitments"). The aggregate amount held in this account as of July 1, 2007 is shown in the Use Schedule. Accordingly, none of the funds presently on deposit in this account are available for other SRF purposes except to finance closed and committed loans related to qualified Proposed Projects.

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[1] Refers to the State Fiscal Year ending on June 30 of the year listed.

[2] Pursuant to SRF Indenture modification, the former State Match Loan Account was consolidated into this Account effective May 30, 2007.

[3] 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 processor 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 a portion of the not-yet-available FFY 2008 (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[4] 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.

[4] 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 serving 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, amount 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

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 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[5] in this account are available for other SRF purposes.

Drinking Water Reserve Grant Account.

Sources of Funds: Funds held in this account[6] 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.[7]

Uses of Funds: These funds are used (i) as security[8] 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 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, 2007 and as anticipated in SFY 2008) is shown in the Use Schedule.[9] In furtherance of these purposes, the funds in this account are invested with certain short-term investments and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's

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[5] And before any transfers to the WWSRF as discussed elsewhere in this Appendix.

[6] Pursuant to SRF Indenture modification, the former State Match Account was consolidated into this Account effective May 30, 2007.

[7] 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, 2007, 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.

[8] Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least $681 million, which is to be held in the Reserve accounts and is not anticipated to used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this IUP (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 2008 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.

[9] And before any transfers to the WWSRF as discussed elsewhere in this Appendix.

option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

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 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, 2007 nor are any so anticipated in SFY 2008.

DRINKING WATER EQUITY[10] 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[11] 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 WWSRF 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[12] in the event

[10] 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.

[11] 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 2008 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, 2007.

[12] In addition to meeting any Excess Commitments as of July 1, 2007, 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, 2007, (b) PERs submitted and under

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 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, 2007 and as anticipated in SFY 2008) is shown in the Use Schedule.[13] In furtherance of these purposes, the funds in this account are invested with certain short-term investments and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

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, 2007 is shown in the Use Schedule.[14]

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 Program 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 Program loan is closed. As of July 1, 2007, there were no Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2007, (b) PERs submitted and under review by the DWSRF as of July 1, 2007 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2008), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

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review by the DWSRF as of July 1, 2007 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2008), each as detailed in the Use Schedule.

[13] And before any transfers to the WWSRF as discussed elsewhere in this Appendix.

[14] And before any transfers to the WWSRF as discussed elsewhere in this Appendix.

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 2008. 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 2008) in the event additional Guarantee Revenue Bonds could not to be issued.

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 2008 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF 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 2008 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. During SFY 2008, the Authority expects to continuously refine its analysis of the ability of the resources in its WWSRF to meet demand for its loans. Present analysis evidences that after a transfer as of July 1, 2007 from the WWSRF to the DWSRF, requested Drinking Water loans in SFY 2008 will not be met as both the DWSRF and WWSRF Programs would be at their leveraged loan capacity.

As of July 1, 2007, about $23.6 million has been transferred to DWSRF. As of July 1, 2007, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to $40.45 million of allowable transfers including 33% of the FFY 2007 grant. The full amount of any such potential transfers is banked.

Further, transfers can be made from DWSRF to the WWSRF up to the cumulative amount made from WWSRF 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 (a) one or more of the Authority's Investment Agreements or (b) other 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 WWSRF program is more in need of funds (when considering their respective priorities) than the other. While a transfer from DWSRF to the WWSRF is not expected, it is also banked to reserve the Authority's discretion.

Schedule 1
to Appendix D for the DW IUP (SFY 2008)

	Account Balances* as of: 30-Jun-2007 (Actual)	Future Deposits in SFY
A. Funds Committed to Closed (Undrawn Loans) by DWSRF		
Purchase Account	$ 17,700,000	$ -
	$ 17,700,000	$ -
B. Other Funds Held in DWSRF		
Reserve Grant Account	$ 111,500,000	$ -
Reserve Earnings Account	3,700,000	-
Reserve Deficiency Account	-	
Equity Grant Account	24,200,000	$ 21,400,000
Equity Earnings Account	8,500,000	-
	$ 147,900,000	$ 21,400,000
Total Available Funds (A. and B. above)	$ 165,600,000	$ 21,400,000

Proof of Timely & Expedious Use of Above Funds Held in DWSRF*	
Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	$ 17,700,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	-
Closed Loan to be funded directly from Equity (undrawn portion of loan)	4,500,000
PERs In-house (approved & under-review) Awaiting Loan Closing	48,190,000
Other Projects on new SFY's PPL, Requesting Loan Funding	51,405,000
*1. Use: to cover Loan Demand****	121,795,000
2. Use: to cover Series Reserve Requirement	116,000,000
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	$ 237,795,000
Uses of Funds (1 & 2 above):	$ 237,795,000
Less: Total Available Funds (A. and B. above)	187,000,000
Amount by which "*Possible Uses of Funds*" EXCEED "*Total Available Funds*"	$ 50,795,000

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.

SCHEDULE D-2
SRF INVESTMENT AGREEMENTS

Funds held in the Reserve Grant Account and certain other accounts are invested in the following Investment Agreements which mature, and may be terminated at the Authority's option only, as follows:

Investment Agreement with:	Final Maturity Date[15]	Optional Termination Date[16]	Scheduled Repayments of Invested Amounts[17]
AIG Matched Funding Corp., Dated, September 29, 1998	2/1/20	2/1/10	$1 to $6 million
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/16	Any time	$1 to $5 million
Trinity Plus Funding Company, LLC, Dated January 9, 2001	8/1/23	8/1/08	$0.1 to $18 million
AIG Matched Funding Corp., Dated, November 14, 2001	2/1/23	N/A	$1 to $10 million
AIG Matched Funding Corp., Dated, December 27, 2002	2/1/24	N/A	$1 to $2 million
Trinity Plus Funding Company, LLC, Dated March 21, 2006	2/1/29	N/A	$3 to $10 million
FSA Capital Management Services LLC, Dated June 19, 2007	2/1/27	N/A	$-0- to $0.5 million

The Authority has structured these Investment Agreements in a manner to assure as great as flexibility as practical to serve the variety of needs required by the SRF. The long-term nature of these investments assures long-term access to quality investment sources and, thereby, balances revenue certainty against known debt obligations associated with Program Bonds. This fosters the ability to issue additional Program Bonds to fund a prudent, maximum level of leveraged loans. Further, repayment features are consistent with the reserve purposes associated with most of these invested funds. These optional termination dates and scheduled repayment features associated with the Investment Agreements, in total, assure access to invested balances at reasonable intervals and are expected to facilitate future leveraged bond issues. However, it also to be understood that this restricts the SRF Program's ability to make use of these invested sums for other purpose (including certain of those uses recited elsewhere in this Appendix) without negotiating different termination provisions which could result in a charged losses upon any such alternate termination depending upon market conditions and other factors.

[15] If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

[16] On or after this date, the Authority may terminate the investment at its option and all invested sums will then be required to be repaid to the Authority without any premium (or other market to market payment).

[17] Each February 1 (except for the 2000 & the first 2001 Investment Agreements, which is each August 1), commencing in 2008 (except for the first 2001 Investment Agreements, which is 2019), a portion of the invested sums is required to repaid annually to the Authority. These annual amounts are set out in a schedule to each agreement and range within the amounts shown in this column.

Appendix E
Summary of State of Indiana Set-Aside Activity
Total for Grant Years 1997 through 2007
As of September 30, 2007

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds	Set-Aside Spending Rate
Set-Aside Category							
Administration Set-Aside [b]	3,142,725.04	4%	15,455.30	3,127,269.74	1,471,301.74	1,671,423.30	**46.8%**
Small Systems Technical Assistance [c]	1,441,663.89	2%	371,000.00	1,070,663.89	766,338.89	675,325.00	**53.2%**
State Program Management							
PWSS (administer State program) [d1i]	1,829,453.00		43,173.88	1,786,279.12	1,483,398.39	346,054.61	
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00	
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00	
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00	
Total State Program Management (note: 1-to-1 match requried on State Program Management)	1,829,453.00	10%	43,173.88	1,786,279.12	1,483,398.39	346,054.61	**81.1%**
Local Assistance / other State Programs							
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00	
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00	
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00	
PWS Capacity Development assistance [e1iv]	2,163,769.00		0.00	2,163,769.00	2,163,769.00	0.00	
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00	
Total Local Assistance & other State Programs	2,163,769.00	15%	0.00	2,163,769.00	2,163,769.00	0.00	**100.0%**
Sub-Total: Non-Administration Set-Asides	5,434,885.89		414,173.88	5,020,712.01	4,413,506.28	1,021,379.61	**81.2%**
Total - All Set-Aside Activity	**8,577,610.93**		**429,629.18**	**8,147,981.75**	**5,884,808.02**	**2,692,802.91**	**68.6%**

Appendix E
Summary of State of Indiana Set-Aside Activity
Total for Grant Year 1998
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS985655-98

Set-Aside	Federal Funds Awarded for Set-Asides	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category					
Administration Set-Aside [b]	1,028,484.00	0.00	1,028,484.00	1,028,484.00	0.00
Small Systems Technical Assistance [c]	324,268.30	0.00	324,268.30	324,268.30	0.00
State Program Management					
PWSS (administer State program) [d1i]	0.00	0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00	0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00	0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00	0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	0.00	0.00	0.00	0.00
Local Assistance / other State Programs					
Land Acquisition loans [e1i]	0.00	0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00	0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00	0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	2,163,769.00	0.00	2,163,769.00	2,163,769.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00	0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	2,163,769.00	0.00	2,163,769.00	2,163,769.00	0.00
Sub-Total: Non-Administration Set-Asides	2,488,037.30	0.00	2,488,037.30	2,488,037.30	0.00
Total - All Set-Aside Activity	**3,516,521.30**	**0.00**	**3,516,521.30**	**3,516,521.30**	**0.00**

Grant closed with funds remaining of $60,393.70 (admin) and $279,900 (Local Assistance).
The total ($340,294) was reobligated to the 06 Loan Fund and made available to IFA on 9/11/07.
Original award balances shown in cell formulas.

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 1999
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS985655-99

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	0.00	4%	0.00	0.00	0.00	0.00
Small Systems Technical Assistance [c]	0.00	2%	0.00	0.00	0.00	0.00
State Program Management						
PWSS (administer State program) [d1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	10%	0.00	0.00	0.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	0.00		0.00	0.00	0.00	0.00
Total - All Set-Aside Activity	**0.00**		**0.00**	**0.00**	**0.00**	**0.00**

This grant was all loan; no set aside funds.

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2000
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS985655-00

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	0.00	4%	0.00	0.00	0.00	0.00
Small Systems Technical Assistance [c]	0.00	2%	0.00	0.00	0.00	0.00
State Program Management						
PWSS (administer State program) [d1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	10%	0.00	0.00	0.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	0.00		0.00	0.00	0.00	0.00
Total - All Set-Aside Activity	**0.00**		**0.00**	**0.00**	**0.00**	**0.00**

Grant closed with funds remaining of $378,520 (admin) and $94,630 (SS Tech Assist).
The total ($473,150) was reobligated to the 05 Loan Fund and made available to IFA on 11/16/05.
Original award balances shown in cell formulas.

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2001
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS975486-01

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b] **	101,047.04	4%	0.00	101,047.04	101,047.04	0.00
Small Systems Technical Assistance [c]	32,367.59	2%	0.00	32,367.59	32,367.59	0.00
State Program Management						
PWSS (administer State program) [d1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	10%	0.00	0.00	0.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	32,367.59		0.00	32,367.59	32,367.59	0.00
Total - All Set-Aside Activity	**133,414.63**		**0.00**	**133,414.63**	**133,414.63**	**0.00**

$476,155 was converted from SPM to loan and $455,255 was rescinded and added to loan (3/20/02).
Grant closed with funds remaining of $279,876.96 (admin) and $62,863.41 (SS Tech Assist).
The total ($342,740) was reobligated to the 06 Loan Fund and made available to IFA on 9/11/07.
Original award balances shown in cell formulas.

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2002
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS975486-02

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	123,298.00	4%	0.00	0.00	123,298.00	0.00
Small Systems Technical Assistance [c]	69,080.00	2%	0.00	0.00	69,080.00	0.00
State Program Management						
PWSS (administer State program) [d1i]	217,417.00		0.00	0.00	217,417.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	217,417.00	10%	0.00	0.00	217,417.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	286,497.00		0.00	0.00	286,497.00	0.00
Total - All Set-Aside Activity	**409,795.00**		**0.00**	**0.00**	**409,795.00**	**0.00**

$114,102 (SS Tech Assist) and $385,898 (SPM) were deobligated for SEEPS (9/18/02).
IDEM requested to transfer $293,409 ($79,905.96 admin, $5,927.00 SS Tech Assist, $207,476.55 SPM) to loans. IDEM transferred to IFA loan fund 1/26/07.
Original award balances shown in cell formulas.

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2003
As of September 30, 2007

Capitalization Grant Recipient	IDEM	FS975486-03

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	233,928.00	4%	15,455.30	218,472.70	218,472.70	15,455.30
Small Systems Technical Assistance [c]	187,964.00	2%	0.00	187,964.00	27,948.00	160,016.00
State Program Management						
PWSS (administer State program) [d1i]	712,036.00		42,573.88	669,462.12	673,296.06	38,739.94
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	712,036.00	10%	42,573.88	669,462.12	673,296.06	38,739.94
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	900,000.00		42,573.88	857,426.12	701,244.06	198,755.94
Total - All Set-Aside Activity	**1,133,928.00**		**58,029.18**	**1,075,898.82**	**919,716.76**	**214,211.24**

IDEM requested that $100,000 be transferred from SPM to admin (8/10/06). 5/17/07 IFA has received $100,000 on 2/12/07 and applied it to loan pool.
Original award balances shown in cell formulas.

Appendix E
Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2004
As of September 30, 2007

Capitalization Grant Recipient	IFA

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	389,972.00	4%	0.00	389,972.00	0.00	389,972.00
Small Systems Technical Assistance [c]	194,986.00	2%	194,986.00	0.00	150,000.00	44,986.00
State Program Management						
PWSS (administer State program) [d1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	10%	0.00	0.00	0.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	194,986.00		194,986.00	0.00	150,000.00	44,986.00
Total - All Set-Aside Activity	**584,958.00**		**194,986.00**	**389,972.00**	**150,000.00**	**434,958.00**

11/9/06 requested transfer of $400,000 SPM to loans. 1/24/07 transfer of $400K approved; Posted to IFA loan fund 9/11/07.
Original award balances shown in cell formulas.

Appendix E
Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2005
As of September 30, 2007

Capitalization Grant Recipient	IFA

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	389,148.00	4%	0.00	389,148.00	0.00	389,148.00
Small Systems Technical Assistance [c]	194,574.00	2%	176,014.00	18,560.00	162,675.00	31,899.00
State Program Management						
PWSS (administer State program) [d1i]	400,000.00		600.00	399,400.00	92,685.33	307,314.67
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	400,000.00	10%	600.00	399,400.00	92,685.33	307,314.67
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	594,574.00		176,614.00	417,960.00	255,360.33	339,213.67
Total - All Set-Aside Activity	**983,722.00**		**176,614.00**	**807,108.00**	**255,360.33**	**728,361.67**

$1,473,150 was added to loan fund (9/14/05). $473,150 came from de-obligated 2000 set asides and $1M came from the 9/16/03 Expense Reimbursement Grant orginally earmaked for DW certified operator training, but funded instead from PWS fees. Posted 11/16/05
Original award balances shown in cell formulas.

Appendix E
Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2006
As of September 30, 2007

Capitalization Grant Recipient	IFA

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	417,488.00	4%	0.00	417,488.00	0.00	417,488.00
Small Systems Technical Assistance [c]	208,744.00	2%	0.00	208,744.00	0.00	208,744.00
State Program Management						
PWSS (administer State program) [d1i]	500,000.00		0.00	500,000.00	500,000.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	500,000.00	10%	0.00	500,000.00	500,000.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	708,744.00		0.00	708,744.00	500,000.00	208,744.00
Total - All Set-Aside Activity	**1,126,232.00**		**0.00**	**1,126,232.00**	**500,000.00**	**626,232.00**

Appendix E

Summary of State of Indiana Set-Aside Activity
Total for Grant Year 2007
As of September 30, 2007

Capitalization Grant Recipient	IFA

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered *(optional)*	Unobligated Balance	Funds Expended	Balance of Unexpended Funds
Set-Aside Category						
Administration Set-Aside [b]	459,360.00	4%	0.00	459,360.00	0.00	459,360.00
Small Systems Technical Assistance [c]	229,680.00	2%	0.00	229,680.00	0.00	229,680.00
State Program Management						
PWSS (administer State program) [d1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00
Total State Program Management (note: 1-to-1 match requried on State Program Management)	0.00	10%	0.00	0.00	0.00	0.00
Local Assistance / other State Programs						
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00
PWS Capacity Development assistance [e1iv]	0.00		0.00	0.00	0.00	0.00
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00
Total Local Assistance & other State Programs	0.00	15%	0.00	0.00	0.00	0.00
Sub-Total: Non-Administration Set-Asides	229,680.00		0.00	229,680.00	0.00	229,680.00
Total - All Set-Aside Activity	**689,040.00**		**0.00**	**689,040.00**	**0.00**	**689,040.00**

APPENDIX F

Annual Set-Aside Work Plan

In SFY 2008 (July 1, 2007 – June 30, 2008), Indiana's Drinking Water State Revolving Fund (DWSRF) Loan Program will use its DWSRF set-aside allotments to continue promoting the implementation of the Safe Drinking Water Act (SDWA). Specifically, the State will take the Administrative and Small System Technical Assistance set-asides and employ its option to reserve portions of both set-asides for future use. The State will not take the State Program Management or Local Assistance set-asides.

ADMINISTRATIVE SET-ASIDE (SDWA 1452(g)(2))

The DWSRF Loan Program may take up to 4%, or approximately $460,000, of the estimated $11.5 million FFY 2008 DWSRF Capitalization Grant for the Administrative set-aside. The DWSRF Loan Program will take $100,000 for the Administrative set-aside and will reserve ("bank") the remainder, $360,000. These unspecified funds will be deposited into the DWSRF and directed toward infrastructure projects. However, the State retains the authority to reclaim these funds from future capitalization grants.

The Administrative set-aside will be used to pay for the administration of the DWSRF Loan Program by funding DWSRF salaries, benefits, and miscellaneous expenses incurred with program management.

SMALL SYSTEM TECHNICAL ASSISTANCE SET-ASIDE (SDWA 1452(g)(2))

The DWSRF Loan Program may take up to 2%, or approximately $230,000, of the estimated $11.5 million FFY 2008 DWSRF Capitalization Grant for the Small System Technical Assistance set-aside. The DWSRF Loan Program will take $100,000 for the Small System Technical Assistance set-aside will reserve ("bank") the remainder, $130,000. These unspecified funds will be deposited into the DWSRF and directed toward infrastructure projects. However, the State retains the authority to reclaim these funds from future capitalization grants.

The Small System Technical Assistance set-aside will be applied toward 1) the agency-wide TEMPO implementation, 2) the Small System Technical Assistance Fund (SSTAF) Grant Program, and/or 3) the Arsenic Remediation Grant Program.

TEMPO is an integrated permitting, compliance, and enforcement database. Approximately eight other states currently utilize this software. Kickoff began in May 2007; 2010 is the projected completion date. The DWSRF Loan Program will benefit from improved programmatic and financial tracking, efficiencies gained from streamlining, and the ability to more easily access SRF and agency-wide data.

The SSTAF Program offers grant assistance to DWSRF Loan Program Participants at loan closing for planning and design costs associated with their DWSRF project. Eligible applicants must close a DWSRF loan; have a population less than 10,000, and; a median household income less than $41,566. Grants for planning and design costs are available up to $25,000. The objective of this program is to aid small, lower income communities complete a drinking water infrastructure project by offering financial assistance with planning and design costs.

The Arsenic Grant Remediation Program offers grant assistance to existing drinking water systems that cannot comply with the new arsenic Maximum Contaminant Level (MCL) of 10 mg/l. Eligible applicants are the same as those eligible for DWSRF Loan Program assistance and must have a population less than 10,000. Eligible projects include the installation of treatment, a new source, or consolidation. Grants are

for construction (from state funds) and non-construction (from set-aside funds) costs up to $100,000. The objective of this program is to help DWSRF eligible entities comply with the arsenic MCL.

The State estimates that 0.5 FTE is required to implement both programs, specifically the DWSRF Program Administrator and the SRF Disbursement Loan Program Coordinator. The State will evaluate the success of these programs by the timely use of the funds.