INDIANA FINANCE AUTHORITY
ANNUAL FINANCIAL STATEMENTS
June 30, 2013

KATZ SAPPER & MILLER

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INDIANA FINANCE AUTHORITY
FINANCIAL STATEMENTS
June 30, 2013

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KATZ SAPPER & MILLER

Our People: Your Success

Independent Auditors' Report

Members of the Indiana Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Finance Authority (IFA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the IFA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IFA as of June 30, 2013, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

Katz, Sapper & Miller, LLP
Certified Public Accountants
800 East 96th Street, Suite 500
Indianapolis, IN 46240
Tel 317.580.2000
Web ksmcpa.com
An Affiliate of
KSM Business Services, Inc.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 16, budgetary comparison information on pages 82 through 83, Indiana Toll Road infrastructure condition rating information on page 84, and retirement plan schedules on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise IFA's basic financial statements. The supplementary schedules of segment reporting – statements of net position, revenues, expenses and changes in net position, and cash flows on pages 86 through 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of IFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IFA's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 16, 2013

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

This section of the Indiana Finance Authority (the "IFA") financial report provides management's discussion and analysis of the financial performance during the year ended June 30, 2013. Please read it in conjunction with the Independent Auditors' Report at the beginning of this report and the financial statements, which follow this section.

This MD&A is an opportunity for management to make information concerning the IFA meaningful and understandable to the IFA's constituents, including Indiana's citizens and their representatives and the investors who buy and sell the IFA's bonds. In addition to describing the IFA and its work, this MD&A briefly analyzes, discusses or presents:

- Basic financial statements
- Condensed financial information
- Overall financial position and results of operations
- Significant transactions within individual funds
- Significant capital assets and long-term debt activity
- Currently known facts

Background: Established on May 15, 2005, the IFA combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund Programs. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Program transferred to the IFA as the successor entity. On July 1, 2007, the duties and responsibilities of the Indiana Health and Education Facility Finance Authority were transferred to the IFA, and the responsibilities of the following programs were transferred from the IFA to the Indiana Economic Development Corporation: Guaranty Fund, Capital Access Program Fund, Business Development Loan Fund and Rural & Agriculture Development Fund.

The IFA is a body both corporate and politic, and though separate from the State of Indiana (the "State"), the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State. These leases do not constitute State debt. Except as described elsewhere in this MD&A, lease rentals are payable solely from appropriations made by the General Assembly.

The IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, health care facilities, and educational facility projects.

The IFA's lease revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals.

Financial Highlights: Management believes an important indicator of the IFA's financial health is whether or not the IFA receives sufficient lease rental revenue to pay debt service on the IFA's lease revenue bonds and meet its other obligations when due. In fiscal year 2013 and prior fiscal years since the IFA and its predecessor entities were established, the IFA received sufficient revenue to pay its debts and meet its other obligations.

To note some major accomplishments in fiscal year 2013, the IFA:

- loaned $400.1 million to Indiana communities to fund drinking water and waste water infrastructure projects
- issued $248.9 million of State Revolving Fund bonds to fund drinking water and waste water infrastructure projects
- cash defeased $216.8 million of State Office Building bonds
- refinanced $87.7 million of State Office Building bonds resulting in present value savings of $8 million or 9.9% of the refunded bonds
- refinanced $45.7 million of State Revolving Fund bonds resulting in present value savings of $3.7 million or 8.16% of the refunded bonds
- cash defeased $27.3 million of State Revolving Fund bonds
- refinanced $9.6 million of Indiana State Fair bonds in present value savings of $412 thousand or 4.31% of the refunded bonds. IFA combined this refunding with a new money financing for the Indiana State Fair producing approximately $65 million in proceeds to build a new arena and renovate the existing Coliseum

The IFA's revenue and net position may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new lease revenue bond and note issues, and construction activities.

Although the IFA reports through a number of enterprise funds, the IFA is not a profit making enterprise. The IFA exists to benefit the State through its ability to finance and refinance important State infrastructure needs, and not to grow revenue and net position over time.

BASIC FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by the Governmental Accounting Standards Board ("GASB") that present different financial views of the IFA:

(Continued)

A. The first two statements are government wide financial statements that provide both long-term and short-term information about the IFA's overall financial status.

B. The remaining statements are fund financial statements that focus on individual parts of the IFA, reporting the IFA's operation in more detail than the government wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements report information about the IFA as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the IFA's assets, deferred outflows and inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Net position, the difference between the IFA's assets, deferred outflows and inflows, and liabilities, are one way to measure the IFA's financial position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the IFA is improving or deteriorating. The government wide financial statements of the IFA are divided into two categories:

1. **Governmental Activities** generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are reported in governmental funds or internal service funds. Although most internal service funds are associated with business-type activities, some of the IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Transportation Finance General, Stadium and Convention Center Financing, Bi-State Bridges, and State Office Building Commission.

   Governmental Activities reported under governmental funds include the Operating Account ("General Funds"), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, and Brownfields Cleanup Revolving Fund.

2. **Business-Type Activities** are financed in whole or in part by fees charged to external parties for goods or services. These activities are reported in proprietary funds or internal service funds. Business-Type Activities include the State Revolving Fund, Supplemental Fund, Airport Facilities Fund, Indiana Toll Road Lease Fund, Aviation Technology Center Fund, Indiana Toll Road Project Fund, Conduit Debt Program Fund, State Fair Fund, and the Recreational Development Commission.

To determine the appropriate reporting, the IFA has considered the following characteristics:

(Continued)

- The relationship between services received and resources provided by the consumer:
  - Governmental – Resources typically not derived from specific services.
  - Business-Type – Direct relationship between the charge and the service provided.

- Revenue-producing capital assets:
  - Governmental – Capital assets do not have a direct relationship to revenue raising capability.
  - Business-Type – Capital assets are typically revenue producing.

- Similarly designated activities and potential for comparison:
  - Governmental – Government may perform multiple or unique functions and are difficult to compare to other governments.
  - Business-Type – Government typically performs a single function that allows for comparability with other governments.

- Nature of funding and budgets:
  - Governmental – Typically part of overall legally adopted governmental budget process.
  - Business-Type – May involve rate setting and appropriations.

- Users and uses of financial reports:
  - Governmental – Emphasis is on financial condition and results of operations of multipurpose functions and broader group of users including citizens, legislative and oversight bodies, and investors/creditors.
  - Business-Type – Emphasis is on financial condition and results of operations of a single activity, related compliance and reasonableness of user charges.

B. Fund Financial Statements provide detailed information about the IFA's significant funds, not the IFA entity as a whole. The IFA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The IFA has two kinds of funds:

1. **Governmental Funds** report activities for IFA and other State Agencies that support the overall State's basic services. The IFA uses the following governmental funds:

   Operating Account reports on the administrative functions of the IFA, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

   Environmental Remediation Revolving Loan Fund & Petroleum Remediation Grant Incentive Fund is a special revenue fund, which provides financing for environmental clean up to local Indiana communities.

(Continued)

Brownfields Cleanup Revolving Loan Fund is a special revenue fund created by statute that provides financial, technical, legal, and educational assistance to eligible entities involved in Brownfield redevelopment.

2. **Proprietary Funds** report activities for which the IFA charges lease amounts or user fees to customers that are similar. Under the proprietary funds, there are two types of sub-funds: 1) enterprise funds track business-type activities, while 2) internal service funds report activities providing general support for the IFA's programs.

   a. <u>**Enterprise Funds**</u>

   State Revolving Fund reports on low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure.

   Supplemental Fund reports on low interest loans and grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

   Conduit Debt Programs Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

   Indiana Toll Road Lease Fund includes the IFA's lease to the Indiana Toll Road Concession Company, LLC ("ITRCC"). The ITRCC is responsible for the operation and maintenance of the Indiana Toll Road.

   Airport Facilities Fund reports on the direct financing activities for airport or aviation related property of facilities referred to by the IFA as the Indianapolis Maintenance Center ("IMC").

   Aviation Technology Center Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by the IFA as the Aviation Technology Center.

   b. <u>**Internal Service Funds**</u>

   Indiana Toll Road Project was leased by the IFA to INDOT prior to the lease with the ITRCC. INDOT was responsible for the operation and financing the Indiana Toll Road Project until June 29, 2006.

   Bi-State Bridges is an internal service fund that reports on the construction of the Ohio River bridge projects. The construction and operations are managed by a Private Party. INDOT oversees these projects.

(Continued)

Highway Revenue Bonds is an internal service fund that provides financing for the construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Stadium and Convention Center Financing is an internal service fund providing financing for the new Stadium and Convention Center expansion in Indianapolis. The Indiana Stadium and Convention Building Authority manages construction of the expansion.

State Fair Commission Financing is an internal service fund providing financing for the Coliseum renovation and a new arena in Indianapolis. The Indiana State Fair Commission manages construction of the renovation and expansion.

State Office Building Commission reports on the financing activities for State office buildings, garages, hospitals and correctional facilities. These facilities are owned by the IFA but operated and maintained by the Indiana Department of Administration.

Recreational Development Commission reports on the financing activities of recreational facilities constructed in State parks. The Indiana Department of Natural Resources is responsible for the operation and maintenance of these facilities.

Transportation Finance General reports on the administrative functions of the Transportation Finance Authority, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

(Continued)

CONDENSED FINANCIAL INFORMATION; OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND SIGNIFICANT TRANSACTIONS WITHIN INDIVIDUAL FUNDS

This section provides an overview of the overall financial position, results of operations and significant transactions within individual funds.

Net Position: The following is condensed from the Statement of Net Position:

Indiana Finance Authority
Condensed Statement of Net Position (in millions of dollars)
June 30, 2013

	Governmental Activities	Business-Type Activities	Total Activities
Assets			
Cash and investments	$ 395	$ 1,160	$ 1,555
Accounts, loans, and lease receivable	999	2,160	3,159
Investment in direct financing leases	1,153	139	1,292
Capital assets, net	457	610	1,067
Other assets	2	14	16
Total assets	$ 3,006	$ 4,083	$ 7,089
Deferred Outflows of Resources			
Accumulated decrease in fair value of hedging derivatives	$ 155	$ -	$ 155
Total deferred outflows of resources	$ 155	$ -	$ 155
Liabilities			
Accounts payable and other liabilities	$ 6	$ 15	$ 21
Interest payable	21	39	60
Unearned revenue	53	29	82
Derivative instrument	155	-	155
Due to primary government	63	-	63
Bonds and notes payable and other long-term obligations	2,469	2,115	4,584
Total liabilities	$ 2,767	$ 2,198	$ 4,965
Deferred Inflows of Resources			
Advanced payment for service concession agreement	$ -	$ 3,359	$ 3,359
Unearned service concession arrangement receipts	-	300	300
Total deferred inflows of resources	$ -	$ 3,659	$ 3,659
Net Position			
Invested in capital assets, net of related debt	$ 54	$ -	$ 54
Restricted	207	1,253	1,460
Unrestricted	133	(3,027)	(2,894)
Total net position	$ 394	$ (1,774)	$ (1,380)

(Continued)

The total net position at June 30 was as follows:

	2013	Restated 2012
Assets and Deferred Outflows of Resources	$ 7,244	$ 7,489
Liabilities and Deferred Inflows of Resources	(8,624)	(8,816)
Net position	$ (1,380)	$ (1,327)

IFA adopted GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The adoption of GASB Statement No. 60 required a restatement, which decreased the previously presented net position in the amount of $277,125,819. The reduction was due to asset additions that had been recognized as revenue when put in service, but now will be recognized as revenue over the remaining lease term. The following is a reconciliation of the beginning net position:

Net position, as previously reported	$ (1,049,721,389)
Adoption of GASB No. 60	(277,125,819)
Net position, as restated	$(1,326,847,208)

The net position was ($1.4) billion at June 30, 2013, which represents a $53 million, or 4% decrease from the prior year's net position. Total assets and deferred outflows of resources decreased by $245 million, while total liabilities decreased by $192 million.

Assets were lower because net capital assets decreased $365 million, the $98 million decrease of the derivatives, and the $17 million decrease in direct financing leases compared to prior year. These decreases were partially offset by the cash and investments increasing $105 million, accounts, loans, and lease receivables increasing $125 million, and other assets increasing $5 million. Liabilities decreased due to the $136 million reduction of debt from regularly scheduled principal payments and defeasances, the reduction of the derivative investment liability of $98 million, recognition of Indiana Toll Road lease revenue of $26 million, recognition of concession receipts of $3 million, and liabilities $4 million less in interest payable. The decrease was partially offset by the $62 million increase in the due to primary government and the $13 million increase in accounts payables. Effective June 29, 2006, the IFA leased the Indiana Toll Road for a one-time payment of $3.8 billion to the ITRCC for 75 years. As required under the legislation passed by the Indiana General Assembly, the IFA transferred $3.6 billion of the lease payment to the State in July 2006 to fund the Major Moves initiative to improve both State and local transportation infrastructure. The IFA recognizes lease revenue over the life of the lease on a straight-line basis.

(Continued)

Change in Net Position: The following is condensed from the Statement of Activities:

Indiana Finance Authority
Statement of Activities (in millions of dollars)
Year Ended June 30, 2013

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Lease rental	$ 438	$ 64	$ 502
Investment earnings	-	28	28
Interest on loans	-	63	63
State appropriation and grants	2	-	2
Other	10	7	17
Total revenues	450	162	612
Expenses			
IFA operations and other	67	12	79
Interest expense	136	82	218
Distribution to primary government	405	7	412
Total expenses	608	101	709
Capital Contributions	4	45	49
Donated Land	(5)	-	(5)
Transfers in (out)	7	(7)	-
Change in net position	(152)	99	(53)
Net position, beginning of year-Restated	546	(1,873)	(1,327)
Net position , end of year	$ 394	$ (1,774)	$ (1,380)

The change in net position for the fiscal year ended June 30 was as follows:

	2013	Restated 2012
Revenues and Capital Contributions	$ 656	$ 521
Expenses	(709)	(311)
Change in net position	$ (53)	$ 210

The decrease in net position was $53 million for the fiscal year ended June 30, 2013, as compared to an increase of net position of $210 million for the prior year. Revenue and capital contributions increased by $135 million, which represents a 26% change from the prior year. Expenses increased by $398 million, which represents a 128% change from the prior year. Revenue and capital contributions increased due to lease rentals for cash defeasances of bonds. Expenses were higher due to the transferring of the properties to the State of Indiana.

(Continued)

SIGNIFICANT CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

Analysis of Infrastructure Assets: The primary infrastructure assets related to the IFA are within the Highway Revenue Bonds and the Indiana Toll Road Lease Fund.

> **Highway Revenue Bonds** - The nature of the direct financing lease activity between the IFA and INDOT means that the IFA does not own infrastructure assets related to the Highway Revenue Bonds. Instead, the IFA has an interest in direct financing lease assets on the Statement of Net Position for $1.1 billion. For such leases, the IFA is the lessor and INDOT is the lessee. INDOT is responsible for reporting information regarding the assessment condition and condition level of the road system funded through Highway Revenue Bonds.

> **Indiana Toll Road Lease** – Historically, the infrastructure assets related to the Indiana Toll Road were reported separate from the IFA's reporting entity. The IFA reported an equity interest in the overall assets held by the Indiana Toll Road Project. During fiscal year 2006, the IFA concluded its lease with INDOT, and leased the Indiana Toll Road to the ITRCC for 75 years. With the inception of the new lease, the IFA liquidated its equity interest in the Indiana Toll Road Project. IFA's investment in infrastructure assets, land and land improvements, is $580 million.

Capital Assets: Property and equipment used for IFA operations are land, bridges, buildings and equipment related to the following: the prior State Office Building Commission, the prior Recreational Development Commission, and the Indiana Toll Road Lease Fund. The State Office Building Commission assets have a cost basis of $670 million and accumulated depreciation of $213 million. The total decrease in the State Office Building Commission's net capital assets is $368 million. Capital assets related to the Recreational Development Commission have a cost basis of $51 million and accumulated depreciation of $21 million, and net capital assets have increased by $5 million over the prior year. Indiana Toll Road Lease Fund assets have a cost basis of $621 million and accumulated depreciation of $41 million, and net capital assets increased by $25 million over the prior year.

The IFA's investment in direct financing leases is presented on the Statement of Net Position at $1.3 billion.

(Continued)

Indiana Finance Authority
Capital and Infrastructure Assets (in millions of dollars)
June 30, 2013

	Governmental Activities	Business-Type Activities	Total Activities
Capital Assets			
Property, plant and equipment, net:			
State Office Building Commission	$ 457	$ -	$ 457
Recreational Development Commission	-	30	30
Indiana Toll Road Lease Fund	-	580	580
Total	$ 457	$ 610	$ 1,067
Investment in direct financing leases:			
State Office Building Commission	$ 37	$ -	$ 37
Aviation Technology Center Fund	-	4	4
Airport Facilities Fund	-	103	103
State Fair	-	32	32
Highway Revenue Bonds	1,116	-	1,116
Total	$ 1,153	$ 139	$ 1,292

(Continued)

Debt Activity: Outstanding debt balances are presented as follows for governmental and business-type activities:

Governmental Activities:

Governmental Activities

Debt	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Highway Revenue bonds	$ 1,134,711,166	$ 5,652,501	$ 45,800,000	$ 1,094,563,667
State Office Building Commission	678,770,965	82,631,721	364,348,940	397,053,746
Stadium Project Bonds	976,952,224	9,193	-	976,961,417
	$ 2,790,434,355	$ 88,293,415	$ 410,148,940	$ 2,468,578,830

Business-Type Activities:

Business-Type Activities

Debt	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Airport Facilities	$ 119,135,000	$ -	$ 15,930,000	$ 103,205,000
Aviation Technology Center	4,816,968	-	795,541	4,021,427
State Revolving Program Fund	1,771,564,206	341,103,566	206,053,568	1,906,614,204
Recreational Development Commission	31,268,041	257,333	2,380,704	29,144,670
State Fair	-	69,251,149	-	69,251,149
	$ 1,926,784,215	$ 410,612,048	$ 225,159,813	$ 2,112,236,450

Lease Activity: Outstanding lease balances are presented as follows for governmental and business-type activities:

Governmental Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
State Office Building Commision	$ 26,489,355	$ 15,054,030	$ 4,233,939	$ 37,309,446
Highway Revenue Bonds	1,158,124,302	3,334,210	45,800,000	1,115,658,512
	$ 1,184,613,657	$ 18,388,240	$ 50,033,939	$ 1,152,967,958

Business-Type Activities:

Lease	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Airport Facilities	$ 119,135,000	$ -	$ 15,930,000	$ 103,205,000
Aviation Technology Center	4,800,000	-	790,000	4,010,000
State Fair	-	31,303,417	-	31,303,417
	$ 123,935,000	$ 31,303,417	$ 16,720,000	$ 138,518,417

(Continued)

CURRENTLY KNOWN FACTS

Governmental Activities

On August 15, 2013, the IFA cash defeased $66.34 million par value amount of Facilities Revenue Bonds. A total of $41.07 million Series 2008C bonds and $25.27 million Series 2004A bonds were associated with the Miami Correctional Facility.

On September 13, 2013, IFA executed an Amended and Restated Indenture for the Stadium and Convention Center Bonds incorporating a new variable rate mode. On October 1, 2013, IFA executed a direct purchase variable rate product to replace the Variable Rate Demand Obligations (VRDO's) backed by a JPMorgan Standby Bond Purchase Agreements (SBPA) for the 2005A-1 Stadium bonds and 2008A-1 Convention Center bonds. Also on October 1, 2013, IFA executed a substitute SBPA provided by The Bank of New York Mellon on the 2007A-1 Stadium Bonds and an Amended and Restated SBPA with JPMorgan on the 2007A-2 and 2007A-3 Stadium Bonds to provide liquidity for the currently outstanding VRDO's.

DISCLOSURE

These annual financial statements are not a disclosure document, an offering memorandum, an official statement or prospectus for any revenue bond issued by the IFA, and no investor should rely on it as such. The information contained in the annual financial statements is limited information. Information and any expression of opinion (other than the report of the independent auditors) contained in the annual financial statements are subject to change. Such information and any opinion speak only as of their date.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of the IFA's finances for all those interested in the IFA's finances. Questions concerning any of the information should be addressed to the IFA at One North Capitol, Suite 900, Indianapolis, IN 46204.

(Continued)

PART 2 – BASIC FINANCIAL STATEMENTS

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash	$ 9,516,772	$ 485,730	$ 10,002,502
Investments	349,710,614	639,581,419	989,292,033
Interest receivable on investments and loans	32,707	26,520,707	26,553,414
Prepaid lease	-	185,272	185,272
Lease income receivable	11,894,353	2,619,220	14,513,573
Grants and accounts receivable	2,930,869	40,485,317	43,416,186
Loans receivable, net	505,110	106,779,002	107,284,112
Interfund receivable	609,903	14,134	624,037
Investment in direct financing leases	53,700,310	17,035,000	70,735,310
Interest held in assets of the Toll Road Project	-	9,080	9,080
Total current assets	428,900,638	833,714,881	1,262,615,519
Noncurrent assets:			
Investments	36,222,080	519,630,214	555,852,294
Investment in direct financing leases	1,099,267,648	121,483,417	1,220,751,065
Prepaid lease	-	4,446,523	4,446,523
Loans receivable, net	983,298,287	1,983,072,456	2,966,370,743
Unamortized bond issue cost, net	2,109,288	9,752,323	11,861,611
Capital assets, net	456,669,396	609,799,519	1,066,468,915
Total noncurrent assets	2,577,566,699	3,248,184,452	5,825,751,151
Total Assets	$ 3,006,467,337	$ 4,081,899,333	$ 7,088,366,670
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	$ 155,370,142	$ -	$ 155,370,142
Total deferred outflows of resources	$ 155,370,142	$ -	$ 155,370,142

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 5,842,215	$ 11,382,607	$ 17,224,822
Interfund payable	504,992	119,045	624,037
Interest payable	21,201,684	39,128,402	60,330,086
Amount due to primary government	62,726,885	-	62,726,885
Unearned revenue	53,000,000	26,705,625	79,705,625
Revenue bonds payable	79,610,000	122,130,000	201,740,000
Note payable	4,680,438	-	4,680,438
Construction retention	243,622	174,267	417,889
Amount due to federal government	-	1,610,500	1,610,500
Pollution remediation	-	311,167	311,167
Total current liabilities	227,809,836	201,561,613	429,371,449
Noncurrent liabilities:			
Derivative instrument liability	155,370,142	-	155,370,142
Note payable	42,260,606	-	42,260,606
Revenue bonds payable	2,342,027,786	1,990,106,450	4,332,134,236
Pollution remediation	-	2,427,200	2,427,200
Amount due to federal government	-	1,217,727	1,217,727
Unearned revenue	-	2,453,252	2,453,252
Total noncurrent liabilities	2,539,658,534	1,996,204,629	4,535,863,163
Total Liabilities	$ 2,767,468,370	$ 2,197,766,242	$ 4,965,234,612
DEFERRED INFLOWS OF RESOURCES			
Advanced payment for service concession agreement	$ -	$ 3,358,896,726	$ 3,358,896,726
Deferred service concession arrangement receipts	-	299,705,953	299,705,953
Total deferred inflows of resources	$ -	$ 3,658,602,679	$ 3,658,602,679
NET POSITION			
Invested in capital assets, net of related debt	$ 54,556,184	$ -	$ 54,556,184
Restricted for:			
Debt service	206,854,478	10,020,290	216,874,768
Water pollution and drinking water projects	-	1,242,472,452	1,242,472,452
Unrestricted	132,958,447	(3,026,962,330)	(2,894,003,883)
Total Net Position	$ 394,369,109	$ (1,774,469,588)	$ (1,380,100,479)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Positon		
				Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating and Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	$ 2,564,762	$ 3,077,531	$ -	$ 512,769	$ -	$ 512,769
Conduit Debt Program	181,767	568,635	-	386,868	-	386,868
Environmental	2,887,454	164,589	1,859,429	(863,436)	-	(863,436)
Transportation Finance	60,092,358	66,369,985	-	6,277,627	-	6,277,627
State Office Buildings Finance	491,776,030	330,392,513	854,023	(160,529,494)	-	(160,529,494)
Stadium and Convention Center Finance	50,197,073	45,934,918	4,262,155	-	-	-
Total Governmental Activities	607,699,444	446,508,171	6,975,607	(154,215,666)	-	(154,215,666)
Business-Type Activities:						
Drinking Water and Wastewater	83,100,264	63,848,513	45,058,614	-	25,806,863	25,806,863
Airport Facilities Finance	5,430,020	2,091,027	-	-	(3,338,993)	(3,338,993)
Toll Road Lease	7,941,562	61,258,042	-	-	53,316,480	53,316,480
Aviation Technology Center Finance	196,774	327,141	-	-	130,367	130,367
Health and Education	335,816	523,523	-	-	187,707	187,707
State Fair	219,422	1,410,748	-	-	1,191,326	1,191,326
Recreation Development Finance	3,454,957	4,783,621	-	-	1,328,664	1,328,664
Total Business-Type Activities	100,678,815	134,242,615	45,058,614	-	78,622,414	78,622,414
Total Primary Government	$ 708,378,259	$ 580,750,786	$ 52,034,221	$ (154,215,666)	$ 78,622,414	$ (75,593,252)
	General Revenues					
	Investment earnings, net			$ 153,921	$ 27,271,209	$ 27,425,130
	Other Financing Sources					
	Donated Land			(5,085,149)	-	(5,085,149)
	Transfers			7,137,461	(7,137,461)	-
	Total General and Other Sources			2,206,233	20,133,748	22,339,981
	Change in net position			(152,009,433)	98,756,162	(53,253,271)
	Net Position - Beginning of year - Restated			546,378,542	(1,873,225,750)	(1,326,847,208)
	Net Position - End of year			$ 394,369,109	$ (1,774,469,588)	$ (1,380,100,479)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General	Other Governmental Funds	Totals
Assets			
Cash	$ 422,468	$ -	$ 422,468
Investments	1,365,698	18,440,074	19,805,772
Interest receivable on investments	56	739	795
Interest receivable on loans	-	12,933	12,933
Accounts receivable	1,207,324	41,164	1,248,488
Loans receivable, net	-	6,841,980	6,841,980
Interfund receivable	287,292	322,611	609,903
Capital assets, net of accumulated depreciation	13,906	397	14,303
Total Assets	$ 3,296,744	$ 25,659,898	$ 28,956,642
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenses	$ 518,962	$ 226,349	$ 745,311
Interfund payable	-	385,512	385,512
Total Liabilities	518,962	611,861	1,130,823
Fund Balances			
Nonspendable			
Equipment	13,906	397	14,303
Restricted			
Environmental Automotive Sector	-	106,961	106,961
Committed			
Environmental Brownfield remediation	-	11,786,578	11,786,578
Assigned			
Environmental Brownfield remediation	-	11,660,280	11,660,280
Unassigned	2,763,876	1,493,821	4,257,697
Total Fund Balances	$ 2,777,782	$ 25,048,037	$ 27,825,819

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances – governmental funds	$ 27,825,819
Amounts reported for governmental activities in the statement of net position are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Bi-State Bridges and Stadium and Convention Center Financing Program are included in governmental activities in the statement of net position.	366,543,290
Net position of governmental activities	$ 394,369,109

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended June 30, 2013

	General	Other Governmental Funds	Totals
Revenues			
State appropriations	$ 2,433,335	$ -	$ 2,433,335
Investment earnings, net	(1,150)	12,303	11,153
Interest on loans	-	89,229	89,229
Financing fees and premiums	646,110	568,635	1,214,745
Other funding	-	75,360	75,360
Total revenues	3,078,295	745,527	3,823,822
Expenditures			
General Government	2,564,762	-	2,564,762
Business Development	-	181,767	181,767
Environmental	-	2,887,454	2,887,454
Total expenditures	2,564,762	3,069,221	5,633,983
Excess of Expenditures over Revenues	513,533	(2,323,694)	(1,810,161)
Other Financing Sources			
Capital Contributions	-	1,859,429	1,859,429
Transfers in	3,078	-	3,078
Total other financing sources and uses	3,078	1,859,429	1,862,507
Net Change in Fund Balances	516,611	(464,265)	52,346
Fund Balances- Beginning	2,261,171	25,512,302	27,773,473
Fund Balances- Ending	$ 2,777,782	$ 25,048,037	$ 27,825,819

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

Net change in fund balances – governmental funds	$ 52,346
Amounts reported for governmental activities in the statement of activities are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Bi-State Bridges and Stadium and Convention Center Financing Program are included in governmental activities in the statement of activities.	(152,061,779)
Change in net position of governmental activities	$ (152,009,433)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash	$ -	$ -	$ 485,730	$ 485,730	$ 9,094,304
Investments	493,861,893	67,762,720	24,382,972	586,007,585	383,478,676
Interest receivable on investments	2,420,330	1,948	1,176	2,423,454	22,092
Interest receivable on loans	24,004,788	-	89,352	24,094,140	-
Prepaid lease	-	-	-	-	185,272
Lease income receivable	-	1,808,320	810,900	2,619,220	11,894,353
Grants and accounts receivable	40,474,294	-	7,023	40,481,317	1,686,381
Loans receivable, net	105,260,264	-	1,518,738	106,779,002	6,895
Interfund receivable	-	-	14,134	14,134	-
Investment in direct financing leases	-	-	17,035,000	17,035,000	53,700,310
Interest held in assets of the Toll Road Project	-	-	-	-	9,080
Total current assets	666,021,569	69,572,988	44,345,025	779,939,582	460,077,363
Noncurrent assets:					
Investments	518,226,287	-	1,403,927	519,630,214	36,222,080
Investment in direct financing leases	-	-	90,180,000	90,180,000	1,130,571,065
Prepaid lease	-	-	-	-	4,446,523
Loans receivable, net	1,969,812,523	-	13,259,933	1,983,072,456	976,954,522
Unamortized bond issue cost	9,478,820	-	-	9,478,820	2,382,791
Capital assets, net of accumulated depreciation	365,214	580,111,284	-	580,476,498	485,978,114
Total noncurrent assets	2,497,882,844	580,111,284	104,843,860	3,182,837,988	2,636,555,095
Total Assets	$ 3,163,904,413	$ 649,684,272	$ 149,188,885	$ 3,962,777,570	$ 3,096,632,458
Deferred Outflows of Resources					
Accumulated decrease in fair value of hedging derivatives	$ -	$ -	$ -	$ -	$ 155,370,142
Total deferred outflows of resources	$ -	$ -	$ -	$ -	$ 155,370,142
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	$ 190,795	$ 1,877,298	$ 6,875	$ 2,074,968	$ 14,404,541
Interfund payable	86,240	-	27,116	113,356	125,171
Interest payable	35,849,456	-	920,942	36,770,398	23,559,688
Amount due to primary government	-	-	-	-	62,726,885
Unearned revenue	-	26,705,625	-	26,705,625	53,000,000
Revenue bonds payable	101,565,000	-	17,035,000	118,600,000	83,140,000
Note payable	-	-	-	-	4,680,438
Construction retention	-	-	-	-	417,889
Amount due to federal government	1,610,500	-	-	1,610,500	-
Pollution Remediation	-	311,167	-	311,167	-
Total current liabilities	139,301,991	28,894,090	17,989,933	186,186,014	242,054,612
Noncurrent liabilities:					
Derivative instrument liability	-	-	-	-	155,370,142
Note payable	-	-	-	-	42,260,606
Revenue bonds payable	1,805,049,204	-	90,191,427	1,895,240,631	2,436,893,605
Pollution remediation	-	2,427,200	-	2,427,200	-
Amount due to federal government	1,217,727	-	-	1,217,727	-
Unearned revenue	-	2,453,252	-	2,453,252	-
Total noncurrent liabilities	1,806,266,931	4,880,452	90,191,427	1,901,338,810	2,634,524,353
Total Liabilities	$ 1,945,568,922	$ 33,774,542	$ 108,181,360	$ 2,087,524,824	$ 2,876,578,965
Deferred Inflows of Resources					
Advanced payment for service concession agreement	$ -	3,358,896,726	$ -	$ 3,358,896,726	$ -
Deferred service concession arrangement receipts	-	299,705,953	-	299,705,953	-
Total deferred outflows of resources	$ -	$ 3,658,602,679	$ -	$ 3,658,602,679	$ -
Net Position					
Invested in capital assets, net of related debt	$ -	$ -	$ -	$ -	$ 54,556,184
Restricted for debt service	-	-	8,828,623	8,828,623	208,046,145
Restricted for water pollution and drinking water projects	1,218,335,491	-	24,136,961	1,242,472,452	-
Unrestricted	-	(3,042,692,949)	8,041,941	(3,034,651,008)	112,821,306
Total Net Position	$ 1,218,335,491	$ (3,042,692,949)	$ 41,007,525	$ (1,783,349,933)	$ 375,423,635

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF NET POSITION – PROPRIETARY FUNDS TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2013

Total net position – enterprise funds	$(1,783,349,933)
Amounts reported for business-type activities in the statement of net position are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for the Indiana Toll Road Project, State Fair Fund, and the Recreational Development Commission are included in business-type activities in the statement of net position.	8,880,345
Net position of business-type activities	$(1,774,469,588)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
For the year ended June 30, 2013

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
Lease rental income	$ -	$ 56,873,395	$ 2,418,168	$ 59,291,563	$ 443,017,720
Interest on loans	63,056,024	-	256,229	63,312,253	-
Financing fees and premiums	485,641	-	523,523	1,009,164	4,992,983
Other funding	-	4,384,647	-	4,384,647	881,082
Total operating revenue	63,541,665	61,258,042	3,197,920	127,997,627	448,891,785
Operating Expenses					
Personal services	707,610	-	114,028	821,638	684,171
Nonpersonal services	43,929	12,593	270,716	327,238	1,754,199
Professional services	1,107,015	237,422	13,889	1,358,326	1,805,976
Supplies	3,489	-	474	3,963	3,009
Equipment and building fixtures	3,310	-	10,788	14,098	63,644
Travel	7,658	-	10,706	18,364	-
Interest expense	75,028,394	-	5,542,009	80,570,403	137,236,379
Depreciation expense and amortization	1,418,249	-	-	1,418,249	32,703,258
Grants	-	-	13,178	13,178	-
Reimbursement agreement loss	344,153	-	-	344,153	-
Other expense	998,709	564,692	5,000	1,568,401	26,243,605
Total operating expenses	79,662,516	814,707	5,980,788	86,458,011	200,494,241
Operating income (loss)	(16,120,851)	60,443,335	(2,782,868)	41,539,616	248,397,544
Nonoperating Revenues (Expenses)					
Investment earnings, net	26,906,306	159,168	204,642	27,270,116	141,946
Distribution to primary government	(1,270)	(7,126,855)	-	(7,128,125)	(405,245,599)
Total nonoperating revenue (expenses)	26,905,036	(6,967,687)	204,642	20,141,991	(405,103,653)
Income before Capital Contributions and Transfers	10,784,185	53,475,648	(2,578,226)	61,681,607	(156,706,109)
Capital Contributions	45,058,614	-	50,619	45,109,233	5,116,178
Forgivable Loan Expense	(3,418,300)	-	-	(3,418,300)	-
Donated Land	-	-	-	-	(5,085,149)
Transfers in (out)	-	(93,163)	(7,044,298)	(7,137,461)	7,134,384
Change in Net Position	52,424,499	53,382,485	(9,571,905)	96,235,079	(149,540,696)
Net Position - Beginning of year- Restated	1,165,910,992	(3,096,075,434)	50,579,430	(1,879,585,012)	524,964,331
Net Position - End of year	$ 1,218,335,491	$ (3,042,692,949)	$ 41,007,525	$ (1,783,349,933)	$ 375,423,635

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2013

Net change in net position – enterprise funds	$ 96,235,079
Amounts reported for business-type activities in the statement of activities are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for the Indiana Toll Road Project, State Fair Fund, and the Recreational Development Commission are included in business-type activities in the statement of activities.	2,521,083
Change in net position of business-type activities	$ 98,756,162

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2013

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Lease, rent and toll receipts	$ -	$ 7,477,855	$ 12,999,304	$ 20,477,159	$ 447,643,272
Other operating income	141,488	49,445	535,311	726,244	5,874,065
Payments for general and administrative expenses	(2,898,699)	(35,213,176)	(7,586,465)	(45,698,340)	(312,085,472)
Payments for grants	-	-	(13,178)	(13,178)	-
Transfer	-	-	-	-	(779,297)
Net Cash Provided (Used) by Operating Activities	(2,757,211)	(27,685,876)	5,934,972	(24,508,115)	140,652,568
Cash Flows from Investing Activities					
Principal repayments of loans	265,575,279	-	1,576,675	267,151,954	-
Issuance of loans	(400,128,598)	-	(2,070,355)	(402,198,953)	-
Change in investments	(194,228,387)	-	(187,579)	(194,415,966)	(19,420,628)
Interest received on loans and investments, net	81,696,082	162,024	491,454	82,349,560	190,893
Issuance of capital lease	-	-	-	-	(42,123,508)
Purchase/transfer of property and equipment	(101,000)	-	-	(101,000)	332,514,081
Net Cash Provided (Used) by Investing Activities	(247,186,624)	162,024	(189,805)	(247,214,405)	271,160,838
Cash Flows from Non-Capital Financing Activities					
Proceeds from debt issuance	349,126,533	-	-	349,126,533	-
Principal payments to reduce indebtedness including refunding	(214,076,535)	-	-	(214,076,535)	-
Payment of debt issuance costs, net of refunding	(2,593,194)	-	-	(2,593,194)	-
Change in amount due to federal government	998,709	-	-	998,709	-
Interest paid on debt	(73,182,198)	-	-	(73,182,198)	-
Net Cash Provided by Non-Capital Financing Activities	60,273,315	-	-	60,273,315	-
Cash Flows from Capital Financing Activities					
Proceeds from debt issuance	-	-	-	-	145,678,557
Principal payments to reduce indebtedness	-	-	(795,541)	(795,541)	(399,084,288)
Interest paid on debt	-	-	(5,628,383)	(5,628,383)	(142,406,389)
Capital lease principal receipts	-	-	790,000	790,000	45,800,000
Sale (Acquisition) of capital assets	-	1,647,200	-	1,647,200	(3,334,210)
Capital contributions (EPA grants)	47,845,989	-	90,705	47,936,694	5,116,178
Issuance of forgivable loans to participants	(3,418,300)	-	-	(3,418,300)	-
Net Cash Provided (Used) by Capital Financing Activities	44,427,689	1,647,200	(5,543,219)	40,531,670	(348,230,152)
Net Increase (Decrease) in Cash and Short-term Investments	(145,242,831)	(25,876,652)	201,948	(170,917,535)	63,583,254
Cash and Short-term Investments					
Beginning of Year	639,104,724	93,639,372	24,666,754	757,410,850	328,989,726
End of Year	$ 493,861,893	$ 67,762,720	$ 24,868,702	$ 586,493,315	$ 392,572,980
Cash and Short-term investments					
Cash	$ -	$ -	$ 485,730	$ 485,730	$ 9,094,304
Short-term Investments	493,861,893	67,762,720	24,382,972	586,007,585	383,478,676
	$ 493,861,893	$ 67,762,720	$ 24,868,702	$ 586,493,315	$ 392,572,980
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ (16,120,851)	$ 60,443,335	$ (2,782,868)	$ 41,539,616	$ 248,397,544
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Interest on loans	(63,056,024)	-	(256,229)	(63,312,253)	-
Interest expense	75,028,394	-	5,542,009	80,570,403	137,236,379
Amortization of deferred charges	1,410,601	-	-	1,410,601	758,711
Amortization of deferred revenue	-	(53,153,648)	-	(53,153,648)	-
Depreciation	-	-	-	-	31,944,547
Contributed property and equipment	-	(577,094)	-	(577,094)	-
Distribution to primary government	(1,270)	(7,126,855)	-	(7,128,125)	(405,245,599)
Transfer for administrative reimbursement	-	(93,163)	(7,044,298)	(7,137,461)	2,049,235
Changes in assets and liabilities:					
Accounts receivable and other assets	-	(34,843)	10,611,025	10,576,182	141,212
Accounts payable and accrued expenses	(18,061)	(437,984)	(134,667)	(590,712)	74,920,539
Unearned revenue	-	(26,705,624)	-	(26,705,624)	50,450,000
	$ (2,757,211)	$ (27,685,876)	$ 5,934,972	$ (24,508,115)	$ 140,652,568
Supplemental disclosure of non-cash transactions:					
Contributed property and equipment	$ -	$ 577,094	$ -	$ 577,094	$ -

See accompanying notes to financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

The accompanying financial statements of the Indiana Finance Authority (IFA) as of June 30, 2013, and for the fiscal year then ended, conform with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. IFA's significant accounting policies are as follows:

Reporting Entity: IFA's primary purpose is to oversee State-related debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in the State of Indiana (State). IFA was constituted pursuant to changes made to Indiana Code 4-4-10 & 11 et seq., via Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 ("PL 235").

In order to provide economic efficiencies and management synergies and enable the State to communicate as one voice with the various participants in the financial markets, the Indiana Development Finance Authority (IDFA), the State Office Building Commission (SOBC), the Indiana Transportation Finance Authority (ITFA), State Revolving Fund Programs (SRF) and the Recreational Development Commission (RDC) were consolidated under the new Indiana Finance Authority on May 15, 2005 in PL 235. On July 1, 2007, the Indiana Health and Education Facility Finance Authority (IHEFFA) was consolidated under IFA. For purposes of comparison, the previously existing entities are reported in a way that may give the impression that they are still in existence. However, IDFA, SOBC, ITFA, IHEFFA and RDC are no longer existing legal entities.

IFA's primary programs include:

<u>State Finance Programs:</u> As the successor entity to these formerly separate debt issuing entities, IFA is authorized to issue revenue bonds payable from lease rentals under lease agreements with various State agencies and to finance or refinance the cost of acquiring, building and equipping structures for State use, including State office buildings, garages, highways, bridges, airport facilities, correctional facilities, State hospitals, and recreational facilities related to State parks.

<u>Business Finance Programs:</u> The following are IFA business finance programs:

- Volume Cap - Indiana's $621 million capacity to issue private activity bonds, competitively awarded based on jobs created and/or retained, wages, capital investment, project location, dedication to low-income housing and other factors.

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

- Tax-Exempt Bond - Industrial revenue bonds, refunding bonds, 501(c)(3) bonds, and smaller bonds issued monthly.

- Health and Education Facilities – financing alternatives for Indiana health care organizations and private institutions of higher education.

Environmental Finance Programs: The following are IFA environmental finance programs:

- Indiana Brownfields Program - The Program offers financial, technical, legal and educational assistance to eligible entities involved in Brownfields redevelopment. IFA works in partnership with the U.S. Environmental Protection Agency (EPA) and other State agencies to assist communities in making productive use of their Brownfield properties.

- State Revolving Fund Programs (SRF) - The SRF Loan Program provides low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure.

Segment Reporting: Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity reported as, or within, an enterprise fund or other reporting entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt.

For the benefit of stakeholders and to address accounting and reporting requirements commonly set forth in bond indentures, IFA has disclosed condensed segment information for all non-conduit debt financing activities regardless of their reporting treatment as enterprise funds or other types of funds, and treatment as major versus non-major in the body of the basic financial statements.

The basic financial statements include statements required by GASB that present different financial views of IFA:

- The first two statements are government wide financial statements that provide both long-term and short-term information about IFA's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of IFA, reporting IFA's operation in more detail than the government wide statements.

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

The financial statements also include these notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements Basis of Presentation: IFA includes operating functions that conduct governmental activities and business-type activities, which collectively present a government wide summary of the financial position and activities of IFA. The Statement of Net Position and the Statement of Activities display government wide information. IFA government wide financial statements are divided into two categories:

- **Governmental activities** include the Operating Account (General Funds), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Incentive Fund, and Brownfields Cleanup Revolving Loan Fund. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Transportation Finance General, Bi-State Bridges, Stadium and Convention Center Financing, and State Office Building Commission.

- **Business-type activities** include the State Revolving Fund, Supplemental Fund, Airport Facilities Fund, Conduit Debt Program Fund, Aviation Technology Center Fund, Indiana Toll Road Lease Fund, State Fair Fund, Recreational Development Commission, and Indiana Toll Road Project Fund.

B. Fund Financial Statements Presentation: These statements are reported in two categories: Governmental Funds and Proprietary Funds.

1) Governmental Funds - Governmental Funds report activities for IFA and other State Agencies that support the overall State's basic services. Governmental funds include:

General Fund: The General Fund is used to account for IFA activities not required to be accounted for in another fund. Examples of activities accounted for within the General Fund include IFA operating budget activity, program service revenue and expenses, and certain business and environmental finance programs, not included in special revenue funds or other fund types.

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION
(Continued)

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. IFA's Special Revenue Funds include the following:

The **Environmental Remediation Revolving Loan Fund (Brownfields Fund)** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues.

The **Petroleum Remediation Grant Incentive Fund** is a component of the Environmental Remediation Revolving Loan Fund that provides assistance to cities, towns, and counties in Indiana to complete remediation of petroleum contamination at Brownfield sites. IFA administers the program in conjunction with technical staff of the Indiana Department of Environmental Management (IDEM).

The **Brownfields Cleanup Revolving Loan Fund** is a grant fund, which was capitalized by an award from the EPA. The purpose of the Fund is to establish a revolving loan within the grantee's organization, under a Cooperative Agreement with the EPA. The Fund is used solely to finance remediation activities at eligible Brownfield sites.

2) Proprietary Funds - Proprietary funds follow the economic resources measurement focus, which is concerned with the total resources necessary to operate a particular activity. Accordingly, these funds include capital assets and long-term debt that are not included in governmental funds**.** Proprietary funds include enterprise funds and internal service funds.

Enterprise Funds: Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are reported as enterprise funds if any of the following criteria are met. Governments should apply each of these criteria in the context of an activity's principal revenue source:

- The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not solely from fees and charges of the activity.

NOTE 1 – REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges rather than taxes or similar revenues.

- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

IFA's Enterprise Funds include:

State Revolving Fund reports on the Wastewater State Revolving Fund (WSRF) and Drinking Water State Revolving Fund (DWSRF) programs. The federal Water Quality Act of 1987, as amended in 1996, authorized the EPA to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State has established a public drinking water system program to provide financial assistance for eligible projects. Prior to the program receiving funding as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), financial assistance included making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems. ARRA and the EPA grant awards amounts prior to June 30, 2013 required the program to provide both loans and forgivable loans to public water systems for eligible projects.

Supplemental Fund reports on low interest loans or grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

Conduit Debt Program Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

Indiana Toll Road Lease Fund reports on the operating lease between IFA, as lessor, and Indiana Toll Road Concession Company, LLC (ITRCC), as lessee, to manage and operate the Indiana Toll Road, as approved by certain legislation adopted by the Indiana General Assembly. The operating lease began on June 29, 2006 with a term of 75 years.

IFA owns the 157-mile highway, and leases it to ITRCC, which operates from the existing Indiana Toll Road headquarters in Granger, Indiana. IFA received a cash payment of approximately $3.8 billion upon closing of the lease agreement, and ITRCC will receive all tolls and concession revenues for the next 75 years.

Airport Facilities Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by IFA as the Indianapolis Maintenance Center (IMC).

Aviation Technology Center Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by IFA as the Aviation Technology Center.

Internal Service Funds: Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. IFA's Internal Service Funds include:

Bi-State Bridges – The Bi-State Bridges project is a joint project between Kentucky and Indiana to construct Downtown Crossing and East End bridges over the Ohio River. A public private partnership agreement was initiated between IFA and a Private Party who will construct, finance, operate, and maintain Indiana's portion of the project. IFA and INDOT entered into a use agreement.

Indiana Toll Road Project - The Indiana Toll Road Project was a lease between the IFA and INDOT to finance and operate the Indiana Toll Road. Separate reporting of the lease agreement was required and was done under the reporting entity entitled the Indiana Toll Road Project. The net assets of the Indiana Toll Road Project are owned by IFA and reported as interest held in assets of the Indiana Toll Road Project on the Statement of Net Position. IFA and INDOT had specified responsibilities under the lease agreement. Indiana Toll Road Bonds were payable from

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

lease rentals INDOT was obligated to pay under the Indiana Toll Road Lease. INDOT set and collected tolls sufficient to provide for operating expenses, major expense fund requirements and payment of base rent to IFA in an amount sufficient for payment of debt service on the Bonds.

The Indiana Toll Road was leased to INDOT until June 29, 2006, when a subsequent lease was entered into between IFA and ITRCC. Activity related to the new lease is reported under the Indiana Toll Road Lease Fund.

Highway Revenue Bonds primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Stadium and Convention Center Financing Program reports on the financing of the Indiana Stadium and Convention Center project. Construction of the project is managed by the Indiana Stadium and Convention Building Authority (ISCBA). IFA issued $666 million of lease revenue bonds (Stadium), and $329 million of lease revenue bonds (Convention Center) to finance a portion of the construction projects. IFA then entered into a loan agreement with the ISCBA structured with a payment schedule to meet debt service requirements on the bonds.

State Fair Fund primary purpose is to finance the State Fair Coliseum renovation and build a new arena that is managed by the Indiana State Fair Commission. This fund reports on the direct financing activities and construction of the projects.

The previously existing **State Office Building Commission's** primary purpose was to construct, equip and lease state facilities through revenue bonds as authorized by the Indiana General Assembly. This has now been transferred to IFA. The facilities are leased to the Department of Administration of the State (DOA) under use and occupancy agreements. IFA has been authorized to issue debt obligations to provide funds for:

- Financing the implementation of the Indiana Government Center Master Plan
- Infrastructure and transportation facilities in its vicinity, certain correctional facilities and certain hospitals

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

- Financing the Indiana State Museum acquisition, design and construction costs

- Conducting projects to reduce energy consumption costs and other operating costs at qualified state owned institutions

The previously existing **Recreational Development Commission's** primary purpose was providing funds for projects involving Department of Natural Resources' properties. The Recreational Development Commission (the Commission) was created in 1973 by an Act of the General Assembly. Effective May 15, 2005, all powers and duties of the Commission were transferred to IFA under IC 4-4-10.9 & 11.

The **Transportation Finance General** primary purpose was reporting on the administrative functions of the Transportation Finance Authority, which included salary and benefits and other expenses that supported the related financings and refinancing activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The government wide statements and the proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For IFA, “available” means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they will be matured or liquidated with expendable financial resources.

Accounting Pronouncements: IFA adopted GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The adoption of GASB Statement No. 60 required a restatement, which decreased the previously presented net position in the amount of $277,125,819. The reduction was due to asset additions that had been recognized as revenue when put in service, but now will be recognized as revenue over the remaining lease term. The following is a reconciliation of the beginning net position:

Net position, as previously reported	$ (1,049,721,389)
Adoption of GASB No. 60	(277,125,819)
Net position, as restated	$ (1,326,847,208)

Fund Accounting: IFA debt financing agreements and indentures may require the use of specific funds or subfunds to account for the activities within a specific bond issue or other IFA activities. As a result, governmental and proprietary funds may have subfunds and accounts that are considered separate accounting entities for internal reporting purposes. The operations of each specific fund are accounted for with a separate set of self-balancing accounts. IFA uses the following subfund types as applicable for debt financing and indenture agreements:

- General Funds
- Expense Funds
- Lease Revenue Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Replacement Reserve Funds

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Construction Funds (including interest and clearing accounts)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles. The IFA follows GASB pronouncements as codified under GASB Statement No.62.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Internal Balances and Activity Reporting in Government Wide Financial Statements: Transaction and balances are recorded as follows:

- **Between funds included in governmental activities** column - Eliminated within the governmental activities column.
- **Between funds included in business-type activities** column - Eliminated within the business-type activities column.
- **Between a fund included in governmental activities column and a fund included in the business-type activities column** - Internal balance; eliminated in the total activities primary government column.

Revenue Recognition: The primary revenue sources of IFA are accounted for as follows:

- State appropriations are made by the General Assembly on a biennial basis. Due to the uncertainty of allotment and release of appropriations, IFA records revenues when cash payments are received.
- Toll lease revenue is recognized on an accrual basis. (proprietary fund and government-wide statements)
- Direct financing lease revenue and operating lease revenue are recognized on an accrual basis. (proprietary funds and government-wide statements)
- Investment earnings are recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Loan interest income is recorded on a modified accrual basis for governmental funds and full accrual for proprietary funds and government-wide statements.
- Grant income is recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Program revenue is recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other relevant policies related to revenues follow:

- Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens as a whole. Program revenues are separately classified in three categories—(a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

- Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and interest on debt and depreciation on capital assets. Governmental fund transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally would not be reported as components of operating income. For proprietary funds, revenue and expense transactions normally classified as other than operating cash flows are classified as operating revenues and expenses if those transactions constitute principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

- IFA's policy is to apply externally restricted and reserved funds first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

<u>Expense Classification</u>: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit. Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed (unless reported in the separate column).

<u>Net Position and Fund Balances</u>**:** Net position is displayed in three components:

- The Invested in Capital Assets component consists of property or infrastructure that the IFA acquired, net of the related debt.

- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components. IFA has reserved fund equity in special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by IFA's governing body.

- Governmental Funds: Fund balances are displayed in five components:

  - Non-spendable fund balance includes amounts not in spendable form.
  - Amounts listed in restricted fund balance are subject to constraints imposed by external organizations. For purposes of determining the ending fund balance, restricted funds are considered to be spent first when an expenditure occurs for which both restricted and unrestricted amounts are available.
  - Committed fund balance is amounts that are designated by an IFA Board resolution to be used for a specific purpose. If expenditure occurs for which committed, assigned or unassigned amounts are available, committed amounts are considered to be spent first, followed by assigned and then unassigned funds.
  - Assigned fund balance amounts are available for commitment by IFA Board resolution, to projects within the Brownfield program.
  - Unassigned fund balance is the residual classification for the general fund.

Cash and Equivalents: Cash and equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less.

Investments: Investments are recorded at fair value based on quoted market prices of the investment or similar investments. Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the statements of activities. Securities traded on a national exchange are valued at their last reported sales price on the primary exchange on which they are traded. Securities traded in the over-the-counter market, and listed securities for which no sale was reported on that date, are valued at the last reported bid price.

Capital Assets: Capital assets are recorded at historical cost. Cost includes interest expense, net of interest income, incurred during construction until the asset is placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure Assets: The Indiana Toll Road Lease Fund, an enterprise fund, adopted the modified approach for recording infrastructure. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network (hereafter, eligible infrastructure assets) are not required to be depreciated. Condition assessments are performed annually and disclosed as required supplemental information. Expenditures that qualify as maintenance in nature are recorded by the lessee. Additions and improvements to eligible infrastructure assets are capitalized by IFA when those additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

Capital Leases: Direct financing leases are accounted for by IFA, as lessor, as the sum of minimum lease payments and indirect costs less unearned income. Direct costs and unearned income are amortized over the lease term using the interest rate method that mirrors the underlying long-term debt.

Grants and Accounts Receivable: Grants and accounts receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed. Grant expenditures are subject to audit and acceptance by the granting agency and, because of such audit, adjustments could be required.

An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews grants and accounts receivable and considers the need for an allowance based on current circumstances. Management has estimated that no allowance is necessary at June 30, 2013.

Loans Receivable and Allowance for Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. IFA's sources of funding for loans are from state appropriations and grants. Because there are a small number of significant loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that as of June 30, 2013, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the areas that funds are loaned would increase the likelihood of additional losses because of credit and market risks and could create the need for additional loss allowance.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Lease Revenue: Operating lease cash receipts that have not been earned are recorded as deferred lease revenue and amortized over the life of the lease agreement on a straight-line basis. The primary deferred lease revenue is related to the Indiana Toll Road Lease Fund cash receipt of $3.8 billion from ITRCC that will be earned over the 75-year operating lease.

Amount Due to Primary Government: This represents amounts that were due to the State at June 30, 2013 as follows:

	Governmental Activities	Business-type Activities
Liabilities – Amount due to primary government		
Current:		
Division of Historic Preservation and Archaeology	$ 1,700,187	$ -
Evansville State Hospital	71,680	-
Government Center North	19,436,492	-
Government Center South	16,533,980	-
Indiana State Museum	4,142,207	-
Pendleton Juvenile Correctional Facility	9,736,686	-
Rockville Correctional Facility	7,602,784	-
Southeast Regional Treatment Center	50,343	-
Toxicology Lab Project -ISP	3,433,486	-
Toxicology Lab Project – ISDH	19,040	-
	$ 62,726,885	$ -

Long-term Debt: Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Bond Discount and Issuance Costs: Bond discount and issuance costs are amortized using the interest method over the varying terms of the bonds issued.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or vest.

Subsequent Events: IFA has evaluated the financial statements for subsequent events occurring through October 16, 2013, the date the financial statements were available to be issued. See Note 14.

NOTE 3 - DEPOSITS AND INVESTMENTS

IFA's Investment Policy:

I. Scope and Intent

The Investment Policy applies to the investment of all funds, including, but not limited to, bond proceeds and gross revenues for which IFA and appropriate trustee(s) have investment responsibility[1]. The Members of IFA are responsible for fiduciary oversight of these invested funds. The Members have approved the Investment Policy in furtherance of their goal to meet the investment objectives listed in Section II hereof.

II. Objectives

The primary objectives, in priority order, of IFA's investment program should be:

1. <u>Safety</u> -- Safety of principal should be the foremost objective of the investment program. Investments should be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section V hereof. Market risk will be minimized both by structuring the portfolio so that investments generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.
2. <u>Liquidity</u> -- The investment portfolio should be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio should consist primarily of cash equivalents and securities with active secondary or resale markets.
3. <u>Yield</u> -- The investment portfolio should be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity. Return on investment should be in excess of inflation, and should typically approximate or exceed the calculated yield on 3-month constant-maturity U.S. Treasury obligations.
4. <u>Full Investment</u> -- To the extent practicable, all funds should be fully deployed as earning assets.
5. <u>Minimal Turnover</u> -- Securities should typically not be sold prior to maturity, with the following exceptions: (1) A declining-credit security can be sold early to minimize the potential loss of principal; (2) A security can be sold and replaced

[1] As it relates to the investment of indentured funds, it relates only to the extent those funds are not invested in purpose investments, *i.e.* investments that are acquired to carry out the governmental purpose of the bond issue.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

with another if such action improves the quality or yield of the portfolio; and (3) A security can be sold early to meet liquidity needs.

III. Delegation of Authority

The authority to operate and manage the investment program is granted to the Public Finance Director, together with any investment officer(s) that he or she designates as such (together, the "Investment Officers"). The Public Finance Director and any additional Investment Officers shall establish controls and procedures to implement the program which shall include regular reporting to the Members of IFA.

IV. Standard of Care

1. Prudence -- Investments should be made in accordance with the prudent person standard. This standard provides that an investor should act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Investment officers acting in accordance with the investment policy statement and any written procedures and exercising due diligence, should be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected results are reported in a timely fashion and that appropriate action is taken to control adverse developments.
2. Ethics and Conflicts of Interest -- Investment Officers should refrain from personal business activity that could conflict with the proper execution and management of IFA's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules, and regulations.

V. Permitted Investments

1. IFA is only permitted to invest indentured funds in those securities authorized by the applicable trust indenture and statutes, which authorizations are made a part of the policy. In addition to restrictions under indentures, it is the policy of IFA to limit allowable investments to the following types of securities:

   - U.S. Treasury securities (*e.g.* bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, and Federal Home Loan Bank debt
  - any full-faith-and-credit securities are permitted
  - non-full-faith-and-credit debt securities are permitted if rated in one of the two highest rating categories by one of the following rating agencies: Fitch, Moody's, and Standard & Poor's (the Rating Agencies)

- Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae, or Freddie Mac
  - any full-faith-and-credit securities are permitted
  - non-full-faith-and-credit pass-through securities are permitted if guaranteed by the issuing agency, and if the issuing agency is rated in one of the two highest rating categories by one of the Rating Agencies

- Obligations of state and local governments in the U.S. and their political subdivisions, if rated in one of the three highest rating categories by one of the Rating Agencies

- Repurchase agreements, if at least 102% collateralized by any of the above

- Money market mutual funds regulated by the Securities and Exchange Commission
  - only no-load funds are permitted (*i.e.* no commission or fee shall be charged on purchases or sales of shares)
  - permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
  - these funds seek to maintain a stable net asset value of $1.00 per share
  - by definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940

- Commercial paper, if rated in the highest rating category by one of the Rating Agencies, with a maturity not to exceed 270 days

- Investment agreements, if the provider is rated the equivalent of Aa3 or higher by one of the Rating Agencies

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Time deposits with maturities not exceeding five years, in state- or nationally chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC), with balances not to exceed the FDIC coverage limit

2. Additional securities may be added to the above approved list with the approval of the Public Finance Director and the governing board of the applicable State Issuer.
3. Investments are not permitted in certain derivatives, or in certain mutual funds which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICS.
4. Pursuant to IC 4-4-11-15(50), certain swap agreements (as defined in IC 8-9.5-9-4) are permissible as part of the bond issuance process, pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7. These agreements include rate swap agreements, basis swaps, forward rate agreements, interest rate options, rate cap agreements, rate floor agreements, rate collar agreements, and any similar agreements (including any option to enter into any such agreement).
5. At times, funds may be invested for the betterment of the State economy or that of local entities within the State. These development-oriented investments may not fit the permitted investments listed above. In the future, any such investments will be subject to the prior approval of the Members. The Indiana Seed Fund I, LLC, an existing equity investment under the former Indiana Health and Educational Facility Financing Authority, is an example that will not be subject to the requirements herein and was previously approved by that board.

VI. Investment Parameters

1. Maximum Maturity -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA should not typically invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.
2. Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.
3. Diversification -- Investments shall be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury securities, the total portfolio should consist of no more than 40% of any single type of security.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

4. In lieu of specific investment directives, an Investment Officer may issue general directives to the appropriate trustee for the investment of certain funds. These directives should be consistent with this policy and the appropriate trust indenture.

VII. Authorized Broker/Dealers

1. All financial institutions currently serving as trustee for any component unit of IFA are authorized to provide investment services, including investment advice, to IFA. In addition, the Investment Officers shall maintain a list of broker/dealers authorized to provide IFA with investment services and advice. Such list should be reported to IFA on an annual basis. Broker/dealers may be primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than advisor shall provide IFA with the following:

   - Current audited financial statements
   - Proof of National Association of Securities Dealers (NASD) certification
   - Certification of having read the Investment Policy

2. Each Investment Officer is authorized to enter into safekeeping agreements, wire transfer agreements or other agreements necessary or useful in administering the policy. A background check is required for each Investment Officer prior to this authorization.

3. The Investment Officers should conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

VIII. Safekeeping and Custody

1. All investment transactions, including, but not limited to, those completed by telephone, should be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on IFA letterhead.

2. Book Entry -- IFA should strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities shall be physically stored or kept in the offices of IFA.

3. Custodial Safekeeping -- Securities purchased from any bank or dealer, including collateral when appropriate, should generally be placed with the appropriate trustee or with an independent third party for safekeeping.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Any security that is able to be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Any security not able to be wired over the FedWire, that is held by the Depository Trust Corporation (DTC) shall be held in the name of IFA or trustee through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for IFA or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by IFA or the appropriate trustee).

4. Delivery vs. Payment -- All securities will be held in accounts in the name of IFA or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

IX. Performance and Reporting

1. Annual Report -- The Investment Officers shall prepare an investment report at least annually which should provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report should be designed to allow Members of IFA to ascertain whether the investment activities during the reporting period have conformed to the policy.

2. Performance -- The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance should be compared at least annually to the yield on 3-month U.S. Treasury obligations. Such performance comparison should be included in the annual report.

X. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. IFA's Investment Policy Statement includes the following provisions:

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Maximum Maturities -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, IFA will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.
- Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.
- Diversification –- investments will be diversified by type of security and issuer except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security.

At June 30, 2013, IFA had the following investments and maturities:

		Investment Maturities (in years)			
Governmental Activities:		Less than	One to	Six to	Greater than
Investment Type	Fair Value	One Year	Five Years	Ten Years	Ten Years
Money Market Investment	$ 341,439,300	$ 341,439,300	$ -	$ -	$ -
U.S. Treasury	2,500,875	2,500,875	-	-	-
Government Obligations	39,744,985	5,270,375	34,474,610	-	-
Bank Deposits	2,247,534	500,064	1,747,470	-	-
Total	$ 385,932,694	$ 349,710,614	$ 36,222,080	$ -	$ -

		Investment Maturities (in years)			
Business-Type Activities:		Less than	One to	Six to	Greater than
Investment Type	Fair Value	One Year	Five Years	Ten Years	Ten Years
Money Market Investment	$ 594,565,136	$ 594,565,136	$ -	$ -	$ -
U.S. Treasury	161,107,729	7,103,874	31,660,296	102,128,632	20,214,927
Government Obligations	355,044,002	3,741,017	325,976,471	19,181,137	6,145,377
Private Equity	1,403,927	-	1,403,927	-	-
Bank Deposits	47,090,839	34,171,392	12,919,447	-	-
Total	$ 1,159,211,633	$ 639,581,419	$ 371,960,141	$ 121,309,769	$ 26,360,304

XI. Custodial Credit Risk

Custodial credit risk is the risk that IFA will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of IFA, and are held by either the counterparty of the counterparty’s trust department or agent but not in IFA’s name.

(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Due to compliance with provisions within IFA's Investment Policy, there was no custodial credit risk.

XII. Credit Risk

IFA's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub asset classes and or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2013 are as follows:

Governmental Activities:

Investment Type	S & P	Moody's	Fitch	Fair Value
Money Market Investment	AAAm	Aaa-mf	AAAmmf	$ 243,694,892
	AAAm	Aaa-mf	unrated	90,589,028
	AAAm	unrated	unrated	7,155,380
U.S. Treasury	AA+	Aaa	AAA	2,500,875
Government Obligations	AA+	Aaa	AAA	39,474,985
	NR	Aa1	NR	270,000
Bank Deposits	AA+	Aaa	AAA	2,247,534
				$ 385,932,694

Business-Type Activities:

Investment Type	S & P	Moody's	Fitch	Fair Value
Money Market Investment	AAAm	Aaa-mf	NR	$ 350,061,487
	AAAm	Aaa-mf	AAAmmf	244,503,649
U.S. Treasury	AA+	Aaa	AAA	161,107,729
Government Obligations	AA+	Aaa	AAA	355,044,002
Private Equity	unrated	unrated	unrated	1,403,927
Bank Deposits	NR	NR	NR	47,090,839
				$ 1,159,211,633

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

XIII. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. Under IFA's Investment Policy Statement, investments should be diversified by type of security and institution. Except for cash equivalents; indenture purpose investments, and U.S. Government Securities, the total portfolio should consist of no more than 40% of any single type of security. At June 30, 2013, there were no concentrations of credit risk.

The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2013:

Federal Government Agency Debt	23%
Goldman Financial Square MM (FSMXX)	19%
Dreyfus Cash Management CI A Fd 288 (DICXX)	19%
U.S. Treasury	11%
JPMorgan Prime Mmkt Instit Fd 829	10%
Goldman Prime Financial Square MM (FPOXX)	5%

XIV. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investments are not included as allowable investments per IFA's policy. At June 30, 2013, there was no foreign currency risk exposure.

XV. Securities Lending

The State Treasurer is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50 percent of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the U.S., an agency of the U.S. government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Collateral securities and cash are initially pledged at 102 percent of the market value of the securities lent. The collateral securities cannot be pledged or sold by the State Treasurer unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. The contracts with custodians require them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2013, the investments had no credit risk exposure on securities lending.

XVI. Deposit Risks

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the four demand deposit accounts are carried at cost and are insured up to $250,000 per financial institution. Deposits in the interest-bearing demand accounts held in excess of $250,000 are not collateralized.

The carrying amount of demand deposits was $10,002,433, and bank balances were $10,715,327. IFA's maximum risk was $9,502,433 at June 30, 2013.

(Continued)

NOTE 4 - LOANS RECEIVABLE

IFA has four programs that provide loans to qualified participants including:

Governmental Activities:

1) **Environmental Remediation Revolving Loan Fund (Brownfields) –** Loans facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues. Net loans receivable were $6,841,980 at June 30, 2013.

2) **Stadium and Convention Center Financing Program –** Loans provided to the Indiana Stadium and Convention Center Building Authority (ISCBA) for the construction of Lucas Oil Stadium and the expansion of the Indianapolis Convention Center. Loans receivable were $976,961,417 at June 30, 2013.

Business-Type Activities:

3) **State Revolving Fund -** Low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure**.** Net loans receivable were $2,075,072,787 at June 30, 2013.

4) **Supplemental Fund -** Low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure. Net loans receivable were $14,778,671 at June 30, 2013.

Additional disclosures are provided below for each loan program:

1) Environmental Remediation Revolving Loan Fund (Brownfields)

Loans receivable were comprised of the following at June 30, 2013:

Loans receivable - gross	$ 8,111,226
Less: allowance for uncollectible loans	(82,000)
Less: allowance for forgivable portion of Brownfields loans	(1,187,246)
	$ 6,841,980

There were approximately thirty-four loans and advances outstanding with Indiana municipalities at June 30, 2013. Approximately $2,871,000 was available for disbursement on nine outstanding loan commitments. Interest earned on these loans during the year ended June 30, 2013 was approximately $89,000, and accrued interest was approximately $13,000 at June 30, 2013.

NOTE 4 - LOANS RECEIVABLE (Continued)

The program includes a partially forgivable loan program with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. IFA has recorded an allowance that represents the current amount available for forgiveness on loans that qualified under the program.

2) Stadium and Convention Center Financing Program

Loans receivable is equal to the balance of the Stadium and Convention Center bonds issued by IFA.

Stadium	$ 648,835,000
Convention Center	328,126,417
	$ 976,961,417

Interest earned on loans receivable was approximately $45,935,000 during the year ended June 30, 2013 and accrued interest on loans was approximately $7,028,000 at June 30, 2013.

Due to the nature of the financing of these loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2013.

3) State Revolving Fund

The loans receivable balance at June 30, 2013 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

Wastewater Fund	$1,724,118,396
Drinking Water Fund	386,243,645
	2,110,362,041
Less: allowance for forgivable portion – Wastewater	(26,156,422)
Less: allowance for forgivable portion – Drinking Water	(9,132,832)
	$2,075,072,787

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Interest earned on loans receivable was approximately $63,000,000 during the year ended June 30, 2013, and accrued interest on loans was approximately $24,005,000 at June 30, 2013.

(Continued)

NOTE 4 - LOANS RECEIVABLE (Continued)

4) Supplemental Fund

Loans receivable were comprised of the following at June 30, 2013:

Loans receivable - gross	$ 14,928,671
Less: allowance for uncollectible loans	(150,000)
	$ 14,778,671

There were approximately fifty-nine loans and advances outstanding with Indiana municipalities for drinking water and wastewater projects at June 30, 2013. Interest earned on these loans during the year ended June 30, 2013 was approximately $256,000, and accrued interest was approximately $89,000 at June 30, 2013.

(Continued)

NOTE 5 - CAPITAL ASSETS

Governmental Activities:

Capital assets used in governmental activities included the following for the State Office Building Commission, Operating Accounts and Environmental Remediation Revolving Loan Fund:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets, not being depreciated				
Land	$ 54,764,366	$ -	$ 37,993,223	$ 16,771,143
Construction in progress	40,256,958	600,118	29,085,294	11,771,782
Total capital assets, not being depreciated	95,021,324	600,118	67,078,517	28,542,925
Capital assets being depreciated:				
Buildings and improvements	1,116,287,094	9,183,832	489,254,233	636,216,693
Furniture, machinery and equipment	8,855,010	16,485	3,199,042	5,672,453
Total capital assets, being depreciated	1,125,142,104	9,200,317	492,453,275	641,889,146
Less accumulated for:				
Buildings and improvements	389,310,112	29,381,721	209,108,044	209,583,789
Furniture, machinery and equipment	5,587,192	892,013	2,300,319	4,178,886
Total accumulated depreciation	394,897,304	30,273,734	211,408,363	213,762,675
Total capital assets being depreciated, net	730,244,800	(21,073,417)	281,044,912	428,126,471
Capital assets, net	$ 825,266,124	$ (20,473,299)	$ 348,123,429	$ 456,669,396

(Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

Business-Type Activities:

Capital assets used in business-type activities included the following for the Indiana Toll Road Lease Fund, Recreational Development Commission, and State Revolving Fund:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Capital assets, not being depreciated				
Land	$ 30,566,049	$ -	$ 1,647,200	$ 28,918,849
Infrastructure	483,459,554	577,094	-	484,036,648
Construction in progress	257,613	5,892,071	-	6,149,684
Total capital assets, not being depreciated	514,283,216	6,469,165	1,647,200	519,105,181
Capital assets being depreciated:				
Buildings and improvements	120,850,649	-	-	120,850,649
Furniture, machinery and equipment	32,575,286	3,907	-	32,579,193
Total capital assets, being depreciated	153,425,935	3,907	-	153,429,842
Less accumulated for:				
Buildings and improvements	60,862,835	1,646,761	-	62,509,596
Furniture, machinery and equipment	204,151	35,691	13,934	225,908
Total accumulated depreciation	61,066,986	1,682,452	13,934	62,735,504
Total capital assets being depreciated, net	92,358,949	(1,678,545)	(13,934)	90,694,338
Capital assets, net	$ 606,642,165	$ 4,790,620	$ 1,633,266	$ 609,799,519

At June 30, 2013, IFA had the following construction and related cost commitments:

Business-Type Activities:

Indiana Toll Road Lease Fund – Commitments related to the Indiana Toll Road were approximately $2,700,000 for environmental remediation projects.

NOTE 6 - CAPITAL LEASES

At June 30, 2013, IFA's future minimum lease amounts receivable under capital leases were as follows:

Governmental Activities:

	Principal	Interest	Future Minimum Lease Receipts
June 30, 2014	$ 53,700,310	$ 51,609,638	$ 105,309,948
June 30, 2015	58,941,401	48,876,083	107,817,484
June 30, 2016	61,088,424	45,662,627	106,751,051
June 30, 2017	61,643,727	43,692,148	105,335,875
June 30, 2018	60,900,000	41,842,464	102,742,464
2019 - 2023	346,387,098	162,868,689	509,255,787
2024 - 2028	428,493,486	73,906,228	502,399,714
2029 - 2033	96,240,000	3,955,142	100,195,142
	1,167,394,446	472,413,019	1,639,807,465
Less remaining accretion / premium (discount)	(14,426,488)	-	(14,426,488)
	$ 1,152,967,958	$ 472,413,019	$ 1,625,380,977

Business-Type Activities:

	Principal	Interest	Future Minimum Lease Receipts
June 30, 2014	$ 17,035,000	$ 7,893,749	$ 24,928,749
June 30, 2015	17,420,000	6,665,238	24,085,238
June 30, 2016	17,810,000	5,800,288	23,610,288
June 30, 2017	18,480,151	4,905,563	23,385,714
June 30, 2018	18,955,980	3,979,138	22,935,118
2019 - 2023	21,944,494	12,674,013	34,618,507
2024 - 2028	4,725,012	10,028,713	14,753,725
2029-2033	5,930,091	7,182,969	13,113,060
2034-2038	7,554,512	3,351,875	10,906,387
2038-2043	1,751,494	103,372	1,854,866
	131,606,734	62,584,918	194,191,652
Less remaining accretion / premium (discount)	6,911,683	-	6,911,683
	$ 138,518,417	$ 62,584,918	$ 201,103,335

(Continued)

NOTE 6 - CAPITAL LEASES (Continued)

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

Governmental Activity

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year	Amount Due Thereafter
State Office Building Commision	$ 26,489,355	$ 15,054,030	$ 4,233,939	$ 37,309,446	$ 4,655,310	$ 32,654,136
Highway Revenue Bonds	1,158,124,302	3,334,210	45,800,000	1,115,658,512	49,045,000	1,066,613,512
	$ 1,184,613,657	$ 18,388,240	$ 50,033,939	$ 1,152,967,958	$ 53,700,310	$ 1,099,267,648

Business-Type Activity

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Amounts Due Within One Year	Amount Due Thereafter
Airport Facilities	$ 119,135,000	$ -	$ 15,930,000	$ 103,205,000	$ 16,285,000	$ 86,920,000
Aviation Technology Center	4,800,000	-	790,000	4,010,000	750,000	3,260,000
State Fair	-	31,303,417	-	31,303,417	-	31,303,417
	$ 123,935,000	$ 31,303,417	$ 16,720,000	$ 138,518,417	$ 17,035,000	$ 121,483,417
Total	$ 1,308,548,657	$ 49,691,657	$ 66,753,939	$ 1,291,486,375	$ 70,735,310	$ 1,220,751,065

Capital lease interest rates are structured based on the related bonds principal and interest schedules that are reflected in Note 7 of the financial statements for each bond issue or note payable.

State Office Building Commission

IFA entered into three separate Energy Cost Savings Leases on behalf of the Department of Correction (DOC). The concept of the Energy Cost Savings Lease is that the savings from energy expenses can be used to pay for the debt service incurred to install the equipment necessary to create these savings. IFA has signed a Use and Occupancy Agreement with DOC that will charge DOC the full amount of the debt service (plus any additional cost like insurance) for the lease that has been signed by IFA and the lessor of the equipment (a financial company in all cases). DOC expects to pay for the lease by using their General Fund Appropriations. Neither DOC nor IFA is obligated to use any other revenues to pay such lease rentals. Upon the completion of the lease, the property will be owned by DOC.

Highway Revenue Bonds

IFA issues its highway revenue bonds to finance and refinance highway and bridge projects, as follows:

- INDOT leases right-of-way and other property, on which a highway or bridge project is to be situated, to IFA under a ground lease agreement and supplement for the particular project.
- INDOT constructs the project for IFA under a construction agreement and supplement for the particular project.
- Once constructed, IFA leases the project to INDOT under a master lease agreement and supplement for the particular project.

NOTE 6 - CAPITAL LEASES (Continued)

Lease payments made by INDOT under the master lease and supplements are used to pay debt service on the highway revenue bonds when due.

Under the construction and other agreement and supplements for the highway and bridge projects, IFA reimburses INDOT for construction and design costs incurred by INDOT. Costs not yet reimbursed are recorded in the construction fund as accrued expenses. There were no construction and design costs recognized as additions to capital leases or capital outlay reimbursements to INDOT during fiscal year 2013.

Airport Facilities

In order to finance the construction of the Indianapolis Maintenance Center (IMC) at Indianapolis International Airport, IFA, the City of Indianapolis (the City) and the Indianapolis Airport Authority (the IAA) entered into a number of agreements, including leases, providing for the acquisition, construction, equipping and financing of the IMC (collectively, the Joint Venture).

Under the Joint Venture, IFA's undivided interest as a tenant in the IMC is determined in proportion to the money it contributes to the acquisition, construction and equipping of the IMC from proceeds of IFA's revenue bonds issued to finance the IMC. The City's and the IAA's undivided interests are established in the same way, but by reference to the amount of money they contribute to the IMC from their revenue bond proceeds.

IFA leases its undivided interest in the IMC to the IAA. Upon termination of that lease, the IAA will succeed to IFA's interest in the Joint Venture. The IAA is obligated to pay IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly.

Aviation Technology Center

The Aviation Technology Center Lease Revenue Bonds were issued to finance and refinance an aviation technology education center at the Indianapolis International Airport. The center is used by Vincennes and Purdue universities to provide a variety of aviation-related post secondary education programs. IFA leases the center to the IAA under a lease agreement. The IAA is obligated to pay to IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly. The IAA is not obligated to use any other revenue to pay such lease rentals. IFA leases the ground on which the center is situated from the IAA under a ground lease agreement. Upon termination of the ground lease agreement, the center will become property of the IAA.

(Continued)

NOTE 6 - CAPITAL LEASES (Continued)

State Fair Fund

The Indiana State Fair Commission (ISFC) Facility Revenue Bonds were issued to finance property improvements at the Indiana State Fairgrounds. IFA and ISFC entered into a Master Use and Occupancy Agreement where the IFA would lease back existing property under the Base Lease as well as property improvements. The ISFC is obligated to pay to IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds. The ISFC will pay lease payments from Coliseum revenues. Rights upon termination of property and improvements go to ISFC.

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY

During the fiscal year ended June 30, 2013, the debt service requirements for bonds and notes payable under governmental and business-type activities were as follows:

Governmental Activities:

	Highway Revenue Bonds	State Office Building Commission	Stadium & Convention Center Financing	Governmental Total
Principal:				
June 30, 2014	$ 49,045,000	$ 34,585,438	$ 660,000	$ 84,290,438
June 30, 2015	52,930,000	37,710,619	1,325,000	91,965,619
June 30, 2016	54,800,000	39,784,309	1,900,000	96,484,309
June 30, 2017	56,005,000	40,866,134	2,250,000	99,121,134
June 30, 2018	57,955,000	39,034,229	5,540,000	102,529,229
2019 - 2023	336,015,000	163,201,388	52,865,000	552,081,388
2024 - 2028	427,095,000	35,328,927	80,685,000	543,108,927
2029 - 2033	96,240,000	-	312,045,000	408,285,000
2034 - 2038	-	-	420,365,000	420,365,000
2039 - 2043	-	-	99,430,000	99,430,000
	1,130,085,000	390,511,044	977,065,000	2,497,661,044
Remaining accretion / premium (discount)/ loss on advanced refunding	(35,521,333)	6,542,702	(103,583)	(29,082,214)
	$ 1,094,563,667	$ 397,053,746	$ 976,961,417	$ 2,468,578,830
Interest:				
June 30, 2014	$ 50,812,683	$ 16,630,706	$ 48,380,992	$ 115,824,381
June 30, 2015	48,050,989	15,149,932	50,551,848	113,752,769
June 30, 2016	45,063,205	13,346,066	50,796,231	109,205,502
June 30, 2017	43,204,763	11,643,855	50,687,533	105,536,151
June 30, 2018	41,448,158	9,884,726	50,550,979	101,883,863
2019 - 2023	161,792,976	23,112,538	245,576,909	430,482,423
2024 - 2028	73,863,410	2,793,624	228,138,635	304,795,669
2029 - 2033	3,955,140	-	179,079,662	183,034,802
2034 - 2038	-	-	84,862,047	84,862,047
2039 - 2043	-	-	4,058,488	4,058,488
	$ 468,191,324	$ 92,561,447	$ 992,683,324	$ 1,553,436,095
Total Debt Service	$ 1,562,754,991	$ 489,615,193	$ 1,969,644,741	$ 4,022,014,925

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Business-Type Activities:

	Enterprise				Internal Service			
	Airport Facilities	Aviation Technology Center	State Revolving Fund	Total	Recreational Development Commission	Indiana State Fair	Total	Business-Type Total
Principal:								
June 30, 2014	$ 16,285,000	$ 750,000	$ 101,565,000	$ 118,600,000	$ 2,255,000	$ 1,275,000	$ 3,530,000	$ 122,130,000
June 30, 2015	16,640,000	780,000	117,790,000	135,210,000	2,375,000	760,000	3,135,000	138,345,000
June 30, 2016	17,010,000	800,000	112,375,000	130,185,000	2,505,000	860,000	3,365,000	133,550,000
June 30, 2017	17,360,000	830,000	113,010,000	131,200,000	2,655,000	1,565,000	4,220,000	135,420,000
June 30, 2018	17,765,000	850,000	116,770,000	135,385,000	2,805,000	1,610,000	4,415,000	139,800,000
2019 - 2023	18,145,000	-	595,820,000	613,965,000	13,475,000	8,970,000	22,445,000	636,410,000
2024 - 2028	-	-	451,190,000	451,190,000	1,120,000	11,155,000	12,275,000	463,465,000
2029 - 2033	-	-	183,610,000	183,610,000	-	14,000,000	14,000,000	197,610,000
2034 - 2038						17,835,000	17,835,000	17,835,000
2039 - 2043						4,135,000	4,135,000	4,135,000
	103,205,000	4,010,000	1,792,130,000	1,899,345,000	27,190,000	62,165,000	89,355,000	1,988,700,000
premium (discount)/ loss on advanced refunding	-	11,427	114,484,204	114,495,631	1,954,670	7,086,149	9,040,819	123,536,450
	$ 103,205,000	$ 4,021,427	$ 1,906,614,204	$ 2,013,840,631	$ 29,144,670	$ 69,251,149	$ 98,395,819	$ 2,112,236,450
Interest:								
June 30, 2014	$ 4,753,125	$ 110,550	$ 86,170,006	$ 91,033,681	$ 1,109,372	$ 3,164,087	$ 4,273,459	$ 95,307,141
June 30, 2015	3,930,000	87,600	81,636,919	85,654,519	1,040,227	2,735,388	3,775,615	89,430,133
June 30, 2016	3,088,750	63,900	76,218,669	79,371,319	948,877	2,711,088	3,659,965	83,031,283
June 30, 2017	2,229,500	38,700	71,057,331	73,325,531	848,817	2,674,713	3,523,530	76,849,061
June 30, 2018	1,351,375	12,750	65,467,481	66,831,606	738,843	2,627,088	3,365,931	70,197,537
2019 - 2023	453,625		238,466,219	238,919,844	1,854,167	12,220,388	14,074,555	252,994,399
2024 - 2028	-	-	106,976,150	106,976,150	83,500	10,028,713	10,112,213	117,088,363
2029 - 2033	-	-	15,158,063	15,158,063	-	7,182,969	7,182,969	22,341,031
2034 - 2038						3,351,875	3,351,875	3,351,875
2039 - 2043						103,375	103,375	103,375
	$ 15,806,375	$ 313,500	$ 741,150,838	$ 757,270,713	$ 6,623,803	$ 46,799,684	$ 53,423,487	$ 810,694,200
Total Debt Service	$ 119,011,375	$ 4,334,927	$ 2,647,765,042	$ 2,771,111,344	$ 35,768,473	$ 116,050,833	$ 151,819,306	$ 2,922,930,650

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

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities:						
Revenue bonds and notes payable	$ 2,790,434,355	$ 88,293,415	$ 410,148,940	$ 2,468,578,830	$ 84,290,438	$ 2,384,288,392
Derivative instument liability	252,800,533	-	97,430,391	155,370,142	-	155,370,142
Unearned revenue	2,550,000	53,000,000	2,550,000	53,000,000	53,000,000	-
	$ 3,045,784,888	$ 141,293,415	$ 510,129,331	$ 2,676,948,972	$ 137,290,438	$ 2,539,658,534
Business-Type Activities:						
Revenue bonds payable	$ 1,926,784,215	$ 410,025,803	$ 224,573,568	$ 2,112,236,450	$ 122,130,000	$ 1,990,106,450
Due to federal government	1,829,518	998,709	-	2,828,227	1,610,500	1,217,727
Unearned revenue	55,864,501	-	26,705,624	29,158,877	26,705,625	2,453,252
Pollution Remediation	3,244,182	-	505,815	2,738,367	311,167	2,427,200
	$ 1,987,722,416	$ 411,610,757	$ 251,785,007	$ 2,146,961,921	$ 150,757,292	$ 1,996,204,629

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

The following is a summary of long-term debt outstanding at June 30, 2013, for each fund with the activity categories:

	Future Interest Rate Range	Maturity Range	Annual Principal Payment Range	Amount Outstanding
Governmental Activities:				
Highway Revenue	3% to 7.25%	2013 to 2029	$36,409,025 to $96,240,000	$ 1,094,563,667
State Office Building Commission	1.33% to 5.25%	2014 to 2028	$5,625,000 to $62,620,000	397,053,746
Stadium Project	4.276% to 5.436%	2014 to 2037	$660,000 to $70,550,000	648,835,000
Convention Center Project	4.00% to 6.596%	2017 to 2039	$225,000 to $99,430,000	328,126,417
				$ 2,468,578,830
Business-type Activities:				
Airport Facilities	5.00%	2014 to 2019	$16,285,000 to $18,145,000	$ 103,205,000
Aviation Technology Center	3.00% to 4.00%	2014 to 2018	$150,000 to $850,000	4,021,427
State Revolving Fund	2.00% to 5.50%	2013 to 2032	$31,255,000 to $126,270,000	1,906,614,204
Recreational Development Commission	.55% to 5%	2014 to 2026	$360,000 to $3,225,000	29,144,670
State Fair Fund	2.50% to 5.00%	2014 to 2039	$760,000 to $4,135,000	69,251,149
				$ 2,112,236,450

Variable rate long-term debt terms are as follows:

Governmental Activities:

Bond Series	Outstanding Amount	Interest Rate (Range)	Notes
Stadium Project 2005A	$ 400,000,000	0.02% to 0.93%	(1)
Stadium Project 2007A	211,525,000	0.02% to 0.25%	(1)
Stadium Project 2008A	37,310,000	0.04% to 0.21%	(2)
Convention Center Project 2008A	120,000,000	0.03% to 0.24%	(3)
Total Variable Rate Debt	$ 768,835,000		

Notes on Variable Rate Terms:

(1) *Hedged, tax-exempt variable rate debt*: An interest rate swap with a notional amount of $611,525,000 commenced for the Stadium Lease Appropriation Bonds, Series 2005A and 2007A on August 15, 2008 with IFA receiving the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") and paying the swap counterparties a fixed rate of 4.231%. The purchase price of tendered but not remarketed 2005 and 2007 Bonds is payable from Standby Bond Purchase Agreements (the "SBPAs"), Direct Purchase (the "DP's"), and Floating Rate Notes (the "FRN's") in

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

an aggregate amount of $614,706,290, expiring December 31, 2013 – September 15, 2015. The Bonds are payable solely from and secured by a pledge of the trustee of the trust estate.

The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2005A and 2007A Bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2005A and 2007A Bonds for the fiscal year was 0.48%.

(2) *Partially hedged, tax-exempt variable rate debt*: An interest rate swap with a original notional amount of $46,875,000 commenced for the Stadium Lease Appropriation Bonds, Series 2008A Bonds, on August 15, 2008 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 3.796%. The purchase price of tendered but not remarketed 2008A Bonds is payable from a SBPA in the original amount of $37,763,853, which expires February 1, 2035. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for fiscal year 2012 was 0.13%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 4.00%.

(3) *Partially hedged, tax-exempt variable rate debt*: An interest rate swap with a notional amount of $98,114,750 commenced for the Convention Center Lease Appropriation Bonds, Series 2008A Bonds, on December 1, 2010 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 4.556%. The purchase price of tendered but not remarketed 2008A Bonds is payable from SBPAs in the amount of $121,459,728, expiring December 31, 2013 – February 1, 2039. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for fiscal year 2012 was 0.14%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 4.00%.

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Self-Liquidity Program

The IFA maintains a self-liquidity program that pays the purchase price of 2008A Lease Appropriation Bonds (Stadium Project) and the 2008A-1 Lease Appropriation Bonds (Convention Center Project) that have been tendered and not remarketed. As of June 30, 2013, the two sub-series have outstanding balances of $37,310,000 and $60,000,000, respectively. The aggregate amount payable by IFA will not exceed the sum of the principal balance outstanding plus an amount equal to 37 days' interest on the principal balance outstanding. As of June 30, 2013, the aggregate amount payable on the two sub-series will not exceed $37,763,853 and $60,729,863, respectively.

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements: In order to protect against the potential of rising interest rates, IFA entered into separate pay-fixed, receive-variable interest rate swap agreements with Goldman Sachs Bank USA ("Goldman Swap") and the Bank of New York Mellon ("Bank of New York Mellon Swap") and two separate pay-fixed, receive variable interest rate swap agreements with JP Morgan Chase Bank ("JPMorgan Swap" and together with the Goldman Swap and the Bank of New York Mellon Swap, the "Swaps"). The Swaps were entered into as cash flow hedges.

Terms, fair values, and credit risk. Fair values are based on quotes provided by the applicable swap counterparty. Changes in the fair value of the swap agreements are reported in the Statement of Net Assets as noncurrent assets and liabilities. The notional amounts of the swaps match the anticipated principal amounts of the associated debt. No cash was received or paid on the date the swap agreements were initiated. IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "bonds payable" category. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2013, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2012 [1]	Increase/ (Decrease)[1]	Fair Values at June 30, 2013[1]	Swap Termination Date
2005/2007 Stadium Project[2]	$ 611,525,000	8/15/2008	4.231%	SIFMA[3]	$ (203,723,538)	$ 78,286,226	$ (125,437,312)	2/1/2037
2008 Stadium Project	29,185,000	8/15/2008	3.796%	SIFMA[3]	(7,470,063)	3,436,984	(4,033,079)	2/1/2035
Convention Center	98,114,750	12/1/2010	4.556%	SIFMA[3]	(41,606,932)	15,707,181	(25,899,751)	2/1/2039
	$ 738,824,750				$ (252,800,533)	$ 97,430,391	$ (155,370,142)	

[1] Negative signifies a value in favor of the counterparty.

[2] Includes two swaps with separate counterparties.

[3] The Securities Industry and Financial Markets Association Municipal Swap Index.

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Credit Risk. Moody's Investors Service ("Moody's") rated JPMorgan Chase Bank AA3, Goldman Sachs Bank USA A2, and The Bank of New York Mellon AA3. Standard & Poor's (S&P) rated JPMorgan Chase Bank A+, Goldman Sachs Bank USA A, and The Bank of New York Mellon A+. The IFA is exposed to credit risk when any of the Swaps have a fair value in favor of IFA or a positive market price. To minimize its exposure to loss related to credit risk, IFA requires the swap counterparties to post collateral if the fair value is greater than a threshold amount specified in the respective swap agreements. The threshold amount in each of the swap agreements is adjusted lower following a downgrade by Moody's or S&P of the applicable counterparty's rating.

Termination Risk. IFA or the counterparties may terminate the Swaps if the other party fails to perform under the terms of the contract (as defined by the individual swap agreements). If at the time of termination the Swaps have a positive fair value, the counterparties would be liable to IFA for a payment equal to the fair value.

(Continued)

NOTE 8 – BOND REFUNDINGS AND ESCROW BALANCES ON BONDS

IFA analyzes its various bond issues to determine if any opportunities exist for debt service savings through the refinancing of long-term debt. IFA had refunding and defeasance activity as reported below. In addition, current period and previous refundings and defeasances had remaining bonds outstanding paid from escrow accounts that are not included in the IFA financial records based on accounting guidance.

Bond Refundings and Defeasances: The following represents bond refunding and defeasance during the year ended June 30, 2013:

Governmental Activities:

- **State Office Buildings:**
  On October 17, 2012, IFA issued $74,195,000 of Facilities Revenue Refunding Bonds refunding Series 2003B, 2004D, and 2004E bonds. The refunding was undertaken to reduce total future debt service payments. The proceeds were deposited in an escrow fund, which will pay principal and interest for the defeased debt. As a result of the refunding, an economic gain, or net present value savings, of $7.958 million was realized, and future debt service payments were reduced by $15.834 million.

Business-Type Activities:

- **State Revolving Fund Programs:**
  On February 26, 2013, IFA issued $45,090,000 of State Revolving Fund Program Refunding Bonds refunding a portion of the Series 2005A, 2006A, and 2006B bonds. The refunding was undertaken to reduce total future debt service payments. The proceeds were deposited in an escrow fund, which will pay principal and interest for the defeased debt. As a result of the refunding, an economic gain, or net present value savings, of $3.727 million was realized, and future debt service payments were reduced by $4.421 million.

(Continued)

NOTE 8 – BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

Escrow Balances on Refunded and Defeased Bonds: IFA has the following bond issues that have been refunded, but have remaining principal balances to be paid by escrow agents' accounts. The refunded bonds are not reported as a debt of IFA since payment of principal and interest are from escrowed funds and investment earnings. Activity includes:

Governmental Activities:

- **State Office Building Commission** – IFA issued Facilities Revenue Refunding Bonds, Series 2003 C and D bonds, which were used to refund certain Series 1995 A and B bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2004 A, B, and C bonds, which were used to refund certain Series 1999A, 2002A, and 2003A bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2009 A and B bonds, which were used to refund certain Series 1999A bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2011 A, B, and C bonds, which were used to refund certain Series 2002A, 2003A and B bonds. IFA issued Facilities Revenue Refunding Bonds Series 2012 E, F, G, and H, which were used to refund certain Series 2002A and 2003A bonds. IFA issued Facilities Revenue Refunding Bonds Series 2012A, B, and C, which were used to refund certain Series 2003B, 2004D, and 2004E bonds. At June 30, 2013, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $529,890,000.

- **Highway Revenue Bonds –** IFA issued Highway Revenue Bonds, Series 2000A, which were used to refund certain Highway Revenue Bonds, Series 1990A and 1993A. IFA issued Series 2004 B and C, which were used to refund certain Series 2000A and 2003A bonds. IFA issued Series 2007A, which were used to refund certain Series 2000A, 2003A, and 2004A bonds. Series 2010A bonds were used to refund certain Series 2000A, 2003A, and 2004A bonds. As of June 30, 2013, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $320,550,000.

Business-Type Activities:

- **State Revolving Fund –** IFA issued Series 2012A Refunding Bonds, which were used to refund certain maturities of Series 2001A, 2004B and C bonds. IFA issued Series 2010C Refunding Bonds, which were used to refund certain maturities of Series 2001A, 2002B, and 2004B bonds. Series 2010A Refunding Bonds were issued and used to refund certain Series 2000B, 2001A, 2002B, 2004B, and C bonds. IFA issued Series 2005A Refunding Bonds for the aggregate amount of $277,930,000, which included $258,815,000 of refunding debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2000A, 2000B, 2001A, and 2002B Bonds. In March 2008, IFA cash defeased the remaining

NOTE 8 – BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

maturities of the Series 2000A Bonds. In February 2013, IFA issued Refunding Bonds, which were used to refund portions of the Series 2005A, 2006A, and B bonds. At June 30, 2013, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $256,815,000.

- **Indiana Toll Road Lease Fund** - In 1985, IFA issued $256,970,000 of Indiana Toll Road Revenue Refunding Bonds, Series 1985, to refund the Indiana Toll Road Bonds, 1980 Series. At June 30, 2012, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $107,965,000.

- **Recreational Development Commission** – In May 2012, IFA issued $28,990,000 of Recreational Development Revenue Refunding Bonds, 2012 Series, which refunded Series 1997, 2002, and 2004 bonds. At June 30, 2012, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $7,225,000.

Conduit Debt Obligations: IFA is authorized by law to issue conduit and certain other types of revenue bonds to finance projects that serve Indiana public purposes outlined by statute. Except as described below, IFA's revenue bonds are payable solely from revenues of IFA specifically pledged thereto. The bonds are not in any respect a general obligation of IFA or the State, nor are they payable in any manner from revenues raised by taxation. IFA has no power to levy taxes. Pursuant to this authority, IFA has issued numerous revenue bonds.

IFA has issued debt obligations on behalf of certain manufacturers, utilities, 503c organizations, health and higher education facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes, and other obligations and the interest thereof do not constitute debt or liability of IFA, the State, or any political subdivision thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2013, IFA has outstanding conduit debt of $12.107 billion outstanding.

NOTE 9 – UNAMORTIZED BOND ISSUANCE COST, NET

Bond issuance costs associated with long-term debt at June 30, 2013 were $11,861,611 and include the following activities:

Governmental Activities:

- State Office Building Commission – Amounts include bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Gross amount	$ 18,711,954
Accumulated amortization	(16,602,666)
Net amount	$ 2,109,288

Amortization expense for the year ended June 30, 2013 was $696,109. At June 30, future amortization of bond issuance costs is estimated as follows:

2014	$ 413,925
2015	359,979
2016	318,478
2017	273,600
2018	231,808
Thereafter	511,498
	$ 2,109,288

(Continued)

NOTE 9 – UNAMORTIZED BOND ISSUANCE COST, NET (Continued)

Business-Type Activities:

- **State Revolving Fund** – Amounts represent bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Bond issuance costs	$ 26,044,108
Accumulated amortization	(16,565,288)
Net amount	$ 9,478,820

Amortization expense for the year ended June 30, 2013 was $1,658,306. At June 30, future amortization of bond issuance costs is estimated as follows:

2014	$ 1,388,415
2015	1,242,079
2016	1,099,250
2017	967,844
2018	837,071
Thereafter	3,944,161
	$ 9,478,820

- **Recreational Development Commission** - Amounts represent bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Bond issuance costs	$ 288,692
Accumulated amortization	(54,186)
Net amount	$ 234,506

Amortization expense for the year ended June 30, 2013 was $49,306. At June 30, future amortization of bond issuance costs is estimated as follows:

2014	$ 45,155
2015	40,698
2016	36,009
2017	31,049
2018	25,823
Thereafter	55,772
	$ 234,506

(Continued)

NOTE 9 – UNAMORTIZED BOND ISSUANCE COST, NET (Continued)

- **State Fair Fund** - Amounts represent bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Bond issuance costs	$	50,466
Accumulated amortization		(11,469)
Net amount	$	38,997

Amortization expense for the year ended June 30, 2013 was $11,469. At June 30, future amortization of bond issuance costs is estimated as follows:

2014	$	15,454
2015		11,900
2016		7,879
2017		3,764
	$	38,997

(Continued)

NOTE 10 - OPERATING LEASE COMMITMENTS

IFA has the following operating lessee and lessor agreements:

Lessee – Governmental Activities

- **General Fund** - IFA currently leases office space pursuant to a non-cancelable operating lease expiring in March 2021. The future total minimum rental payments of approximately $1,883,000 range from $219,000 to $252,000 per year from 2014 through 2021. Rental expense for the operating lease was approximately $165,000 for the year ended June 30, 2013.

Lessor – Governmental Activities

- **State Office Building Commission** – Operating lease activity included:

  - The Commission leases state facilities to the Indiana Department of Administration based on use and occupancy agreements. The annual lease terms provide for renewals through supplement agreements. The lease rental payments are based on administrative costs, aggregate debt service requirements on related long-term debt, debt service reserve requirements, and replacement reserve for maintenance and improvements of facilities. During the year ended June 30, 2013, lease revenue of approximately $326 million was recognized.

  - In March of 1995, the Commission entered into a twenty-five year land lease agreement with the White River State Park Development Commission (WRSPDC) to lease a portion of the White River State Park for $1 per year while providing in excess of $15,000,000 of infrastructure improvements.

  - On April 14, 1998, the Commission purchased the IMAX Theatre building and land in White River State Park from the State for $10,000,000. Additionally, the Commission entered into a one hundred-year land lease agreement to lease certain real estate surrounding the IMAX Theatre building from the State for $1 per year. This real estate was required to be used to construct the Indiana State Museum and a parking garage.

NOTE 10 - OPERATING LEASE COMMITMENTS (Continued)

Lessor – Business-Type Activities

- **Indiana Toll Road Project** - On June 29, 2006, the Indiana Toll Road was leased for approximately $3.765 billion and a term of 75 years to the ITRCC. The entire amount was paid up front and there are no additional lease payments due for the remainder of the term of the lease. IFA recorded the transaction as an operating lease and recorded the payment as deferred revenue. Lease rental revenue net of related costs, totaling $3.705 billion, will be recognized on a straight-line basis over the life of the 75-year lease. The unamortized portion of this revenue (in thousands) will be recognized as follows for the fiscal years ending June 30:

2014	$ 49,396
2015	49,396
2016	49,396
2017	49,396
2018	49,396
2019 - 2023	246,977
2024 - 2028	246,977
2029 - 2033	246,977
2034 - 2038	246,977
2039 - 2043	246,977
2044 - 2048	246,977
2049 - 2053	246,978
2054 - 2058	246,978
2059 - 2063	246,978
2064 - 2068	246,978
2069 - 2073	246,978
2074 - 2078	246,978
2079 - 2081	148,187
Total	$ 3,358,897

(Continued)

NOTE 10 - OPERATING LEASE COMMITMENTS (Continued)

- **Recreational Development Commission -** The Commission leases various facilities to the Department of Natural Resources (DNR) that were constructed or renovated using bond issue proceeds. The lease is subject to the terms of the Master Use and Occupancy Agreement dated March 1, 1994, and is accounted for as an operating lease.

  Although the initial agreement terminated on June 30, 1995, both parties have extended the term of this agreement until June 30, 2026. The Commission and the DNR have the right to extend the term of the agreement from biennium to biennium. The Commission and the DNR are deemed to have exercised this right to extend. The term of the Master Use and Occupancy Agreement is extended, for each successive biennium, unless either the Commission or the DNR delivers written notice of non-extension to the other party not less than three months prior to the last day of any biennium, in which event the Master Use and Occupancy Agreement will terminate on the last day of such biennium.

  Minimum aggregate annual lease payments under the facilities leases are as follows for the fiscal years ending June 30:

2014	$ 3,459,122
2015	3,501,332
2016	3,556,422
2017	3,601,212
2018	3,646,475
2019 - 2023	12,436,430
2024 - 2026	790,500
Total	$ 30,991,493

(Continued)

NOTE 11- INTERFUND LOANS RECEIVABLE AND PAYABLE

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded at June 30, 2013, as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 287,292	$ -
Government Funds:		
Transportation Finance General	-	58,792
State Office Building Commission	-	60,689
Special Revenue Funds:		
Conduit Debt General Program Fund	-	20,862
Environmental Remediation Revolving Loan Fund	-	364,649
Petroleum Remediation Grant Incentive Fund	322,611	-
Enterprise Funds:		
State Revolving Fund	-	86,240
Supplemental Fund	14,134	-
Recreational Development Commission	-	5,690
Indiana Health & Education Facility Finance Authority	-	27,115
	$ 624,037	$ 624,037

NOTE 12 – POLLUTION REMEDIATION

As part of the lease agreement with the ITRCC, IFA agreed to retain liability for sites along the Toll Road previously identified as being contaminated. IFA has contracted to clean up these sites and has recognized the $2,700,000 remaining on the contract. In addition, IFA agreed to accept liability for any undiscovered sites that may be found in the future that originated or were caused by actions taken during the time prior to the Toll Road lease. Contaminated sites were found during the construction of the mandatory expansion projects required by the 2006 Toll Road Lease Agreement and remediation cost of $10,500,000 was recognized. Other potential sites have been identified but no assessment has been made to determine whether IFA has any liability and therefore no estimate of the cost of remediation is available.

(Continued)

NOTE 13 - PENSION PLAN

Plan Description

IFA elected to become a participant in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011. IFA contributes to the INPRS, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under Internal Revenue Code Section 401(a) and is tax exempt.

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

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

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contribution on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement or they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any time with interest should a participant terminate employment.

INPRS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol Avenue, Suite 001, Indianapolis, Indiana 46204.

Funding Policy

IFA is required to contribute to the Plan at an actuarially determined rate. The current rate is 9.7% of annual covered payroll. IFA contributed 3% of the participant's annual salary to

(Continued)

NOTE 13 - PENSION PLAN (Continued)

the annuity savings account. The contribution requirements of participants are determined by State statue.

Annual Pension Cost

For the 2013 plan year, IFA 's annual contribution was $155,451. The INPRS funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2012 actuarial valuation using the entry age normal cost method. The asset valuation method is 4-year smoothing of gains/losses on market value with a 20% corridor. The actuarial assumptions included (a) a rate of return on investment of present and future asset of 6.75% and 7% in 2013 and 2012, respectively per year, compounded annually; (b) projected salary increased bases on INPRS experience from 2005 to 2010; and (c) assumed annual postretirement benefit increases of 1.0%. INPRS uses the method of establishing a new gain or loss base each year to amortize the unfunded liability over a 30-year open period.

NOTE 14 – SUBSEQUENT EVENTS

The following subsequent events have been provided for users of the financial statements. None of the subsequent events resulted in changes to the financial statements at June 30, 2013.

Governmental Activities

On August 15, 2013, IFA cash defeased $66.34 million par value amount of Facilities Revenue Bonds. A total of $41.07 million Series 2008C bonds and $25.27 million Series 2004A bonds were associated with the Miami Correctional Facility.

On September 13, 2013, IFA executed an Amended and Restated Indenture for the Stadium and Convention Center Bonds incorporating a new variable rate mode. On October 1, 2013, IFA executed a direct purchase variable rate product to replace the Variable Rate Demand Obligations (VRDO's) backed by a JPMorgan Standby Bond Purchase Agreements (SBPA) for the 2005A-1 Stadium bonds and 2008A-1 Convention Center bonds. Also on October 1, 2013, IFA executed a substitute SBPA provided by The Bank of New York Mellon on the 2007A-1 Stadium Bonds and an Amended and Restated SBPA with JPMorgan on the 2007A-2 and 2007A-3 Stadium Bonds to provide liquidity for the currently outstanding VRDO's.

PART 3 - REQUIRED SUPPLEMENTARY INFORMATION

Budget Basis of Accounting: IFA's budget process is based on a modified cash basis and accounts for certain transactions on a basis other than GAAP. The most significant differences between the budget basis and the GAAP basis are the manner in which revenues and expenses are recorded. Under the modified cash budget basis, the portion of lease rental income apportioned to principal payments is recorded as revenue and the debt service expense portion related to principal is recorded as expense. For government wide reporting, the portion attributable to principal on capital lease assets and bonds payable are reflected as changes in assets and liabilities in the balance sheet funds and statement of net position.

The following table shows budget and actual financial results reported under the budgetary basis of accounting.

	Budget Total	Actual Total	Difference
Revenue			
Lease rental income (Note 1)	$ 290,953,653	$ 502,309,281	$ 211,355,628
Investment income (Note 2)	19,733,684	22,849,179	3,115,495
Program service, advisory and fees (Note 3)	1,921,199	3,399,251	1,478,052
Borrower interest payments (Note 4)	58,095,321	63,401,483	5,306,162
EPA Grant (Note 5)	53,640,654	51,574,970	(2,065,684)
Total revenues	424,344,511	643,534,164	219,189,653
Debt service			
Interest (Note 6)	225,983,722	229,751,541	(3,767,819)
Principal (Note 7)	185,333,939	401,836,468	(216,502,529)
Total debt service	411,317,661	631,588,009	(220,270,348)
Program expenses			
Grants, loans and other program (Note 8)	25,265,220	9,717,465	15,547,755
Total program expenses	25,265,220	9,717,465	15,547,755
Administrative expenses			
Personal services (Note 9)	2,431,673	2,153,143	278,530
Other IFA operations (Note 10)	3,067,343	4,213,205	(1,145,862)
Total administrative expenses	5,499,016	6,366,348	(867,332)
Net revenues over expenses	$ (17,737,386)	$ (4,137,658)	$ 13,599,728

(Continued)

Note 1: Nonbudgeted lease rental receipts for multiple defeasances.

Note 2: Positive investment mark to market valuations resulted in unrealized gains and Guaranteed Investment Contract was terminated.

Note 3: More closings than anticipated. Unexpected insurance proceeds and Muni antitrust settlements.

Note 4: Early receipts of Wastewater and Drinking Water July interest payments.

Note 5: Fewer EPA grants than anticipated.

Note 6: New bond issuances.

Note 7: Defeasances.

Note 8: Fewer grants than anticipated.

Note 9: Lower due to open staff positions.

Note 10: Defeasances increased some administrative expenses.

CONDITION RATING OF THE INDIANA TOLL ROAD PROJECT'S HIGHWAYS AND BRIDGES

Roads

	Percentage of Lane Miles in Fair, Good or Excellent Condition		
	2013	2012	2011
Interstate Roads	100%	90%	94%

	Percentage of Lane Miles in Substandard Condition		
	2013	2012	2011
Interstate Roads	0%	10%	6%

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of six distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in fair, good or excellent condition (70-100), and substandard condition (less than 70). It is the State's policy to maintain at least 80% of its road system at a fair, good or excellent condition level. No more than 10% should be in substandard condition. Condition assessments are determined every year.

Bridges

	Average Sufficiency Rating of Bridges		
	2013	2012	2011
Interstate Bridges	83.8%	83.8%*	85.9%

The average sufficiency rating of the State's bridges is determined using the formula and guidelines provided by Federal Highway Administration. The bridge average sufficiency rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical sufficiency rating ranging from 0.0% (impaired or load restricted) to 100% (new). It is the State's goal to maintain an average bridge sufficiency rating of 85%. All bridges are inspected every two years.

*The sufficiency rating for 2012 reported as 82.4% in the prior year's report has been updated with new sufficiency data from ITRCC.

INDIANA FINANCE AUTHORITY
RETIREMENT PLAN SCHEDULES (UNAUDITED)
For the year ended June 30, 2013

The following actuarial calculations are performed for the State of Indiana as a whole and then allocated to the component units based on methods selected by INPRS.

Asset Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(2-1) (Unfunded) Overfunded AAL (UAAL)	(1/2) Funded Ratio	(3) Covered Payroll	[(2-1)/3] UAAL as a Percentage of Covered Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2012	$ 619,584	$ 1,308,568	$ (688,984)	47%	$ 1,885,820	37%	$ 176,348	78%
June 30, 2011	538,432	953,602	(415,170)	56%	1,695,405	24%	170,051	70%
June 30, 2010	573,068	850,875	(277,807)	67%	1,667,912	17%	105,749	75%

PART 4 - OTHER SUPPLEMENTARY INFORMATION

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF NET POSITION
June 30, 2013

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Bi-State Bridges	Highway Revenue Bonds	Stadium and Convention Center Financing
Assets										
Current assets	$ 666,021,569	$ 10,091,377	$ 43,674,842	$ 24,441,606	$ 2,732,417	$ 9,080	$ 233,100,941	$ 54,701,406	$ 90,536,527	$ 8,717,311
Capital and infrastructure assets	365,214	29,323,021	-	-	-	-	456,655,093	-	-	-
Noncurrent assets	2,497,517,630	234,506	35,788,937	86,920,000	3,260,000	-	70,985,504	-	1,066,613,512	976,954,522
Total Assets	3,163,904,413	39,648,904	79,463,779	111,361,606	5,992,417	9,080	760,741,538	54,701,406	1,157,150,039	985,671,833
Deferred Outflows of Resources										
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	-	-	-	-	-	155,370,142
Total deferred outflows of resources	-	-	-	-	-	-	-	-	-	155,370,142
Liabilities										
Current liabilities	37,736,991	2,824,636	9,020,963	860,042	60,900	-	74,617,158	54,700,187	4,297,617	8,710,416
Long term debt, including current portions	1,906,614,204	29,144,670	69,251,149	103,205,000	4,021,427	-	397,053,746	-	1,094,563,667	976,961,417
Other noncurrent liabilities	1,217,727	-	-	-	-	-	-	-	-	155,370,142
Total Liabilities	1,945,568,922	31,969,306	78,272,112	104,065,042	4,082,327	-	471,670,904	54,700,187	1,098,861,284	1,141,041,975
Net Position										
Invested in capital assets, net of related debt	-	-	-	-	-	-	54,556,184	-	-	-
Unrestricted	-	7,679,598	-	(631,688)	1,009,719	9,080	67,514,455	-	18,435,491	-
Restricted	1,218,335,491	-	1,191,667	7,928,252	900,371	-	166,999,995	1,219	39,853,264	-
Total Net Position	$ 1,218,335,491	$ 7,679,598	$ 1,191,667	$ 7,296,564	$ 1,910,090	$ 9,080	$ 289,070,634	$ 1,219	$ 58,288,755	$ -

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2013

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Bi-State Bridges	Highway Revenue Bonds	Stadium and Convention Center Financing
Operating Revenues										
Lease rental	$ -	$ 3,389,622	$ 1,359,438	$ 2,091,027	$ 327,141	$ -	$ 326,031,545	$ -	$ 66,302,197	$ 45,934,918
Interest on loans	63,056,024	-		-	-	-	-		-	-
Other	485,641	1,393,999	51,310	-	-	-	4,360,968	-	-	-
Total Operating Revenues	63,541,665	4,783,621	1,410,748	2,091,027	327,141	-	330,392,513	-	66,302,197	45,934,918
Operating Expenses										
IFA Operations	3,217,143	331,154	123,515	4,270	80,515	-	434,091,602	-	435,743	312,697
Interest expense	75,028,394	1,391,955	84,438	5,425,750	116,259	-	26,724,487	-	59,151,123	49,884,376
Depreciation and amortization expense	1,418,249	1,731,848	11,469	-	-	-	30,959,941	-	-	-
Total Operating Expenses	79,663,786	3,454,957	219,422	5,430,020	196,774	-	491,776,030	-	59,586,866	50,197,073
Operating Income (Loss)	(16,122,121)	1,328,664	1,191,326	(3,338,993)	130,367	-	(161,383,517)	-	6,715,331	(4,262,155)
Nonoperating Revenues (Expenses)										
Investment earnings, net	26,906,306	752	341	3,530	(1,408)	-	96,763	1,219	27,645	-
Total nonoperating revenues (expenses)	26,906,306	752	341	3,530	(1,408)	-	96,763	1,219	27,645	-
Income Before Capital Contributions and Transfers	10,784,185	1,329,416	1,191,667	(3,335,463)	128,959	-	(161,286,754)	1,219	6,742,976	(4,262,155)
Capital contributions	45,058,614	-	-	-	-	-	854,023	-	-	4,262,155
Loan forgiveness	(3,418,300)	-	-	-	-	-	-		-	-
Donated land	-	-	-	-	-		(5,085,149)	-	-	-
Transfer in (out)	-	-	-	(6,679,549)	(361,671)	-	4,305,852	-	(3,868,104)	-
Change in Net Position	52,424,499	1,329,416	1,191,667	(10,015,012)	(232,712)	-	(161,212,028)	1,219	2,874,872	-
Total net position, beginning of year	1,165,910,992	6,350,182	-	17,311,576	2,142,802	9,080	450,282,662	-	55,413,883	-
Total net position, end of year	$ 1,218,335,491	$ 7,679,598	$ 1,191,667	$ 7,296,564	$ 1,910,090	$ 9,080	$ 289,070,634	$ 1,219	$ 58,288,755	$ -

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF CASH FLOWS
For the year ended June 30, 2013

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Bi-State Bridges	Highway Revenue Bonds	Stadium and Convention Center Financing
Net Cash Provided (Used) By:										
Operating activities	$ (2,757,211)	$ 6,698,828	$ 3,885,708	$ 5,691,186	$ 181,326	$ -	$ (38,748,808)	$ 54,700,187	$ 61,998,350	$ 45,823,526
Investing activities	(247,186,624)	(5,807,681)	(31,305,804)	3,811	(1,374)	-	308,228,875	1,098	28,635	-
Noncapital financing activities	60,273,315	-	-	-	-	-	-	-	-	-
Capital and related financing activities	44,427,689	(3,071,328)	70,906,938	(5,558,500)	(75,424)	-	(313,201,439)	-	(57,040,797)	(45,823,526)
Net Increase (Decrease) in Cash	(145,242,831)	(2,180,181)	43,486,842	136,497	104,528	-	(43,721,372)	54,701,285	4,986,188	-
Cash and cash equivalents, beginning	639,104,724	12,267,173	-	8,019,771	1,066,939	-	267,284,325	-	36,503,662	-
Cash and cash equivalents, ending	$ 493,861,893	$ 10,086,992	$ 43,486,842	$ 8,156,268	$ 1,171,467	$ -	$ 223,562,953	$ 54,701,285	$ 41,489,850	$ -