

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2010
July 1, 2010**

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2010 ANNUAL REPORT

I.	Introduction	1
II.	SRF Loan Program Management	1
III.	Goals and Objectives of the SFY 2010 Intended Use Plan	1
IV.	Environmental Review	2
V.	State Match	2
VI.	Binding Commitments	2
VII.	Expeditious and Timely Use of Funds	3
	A. Interest Rates	3
	B. Terms	3
	C. Other Assistance Provided	4
	D. Administrative Fees	4
	E. Transfers	5
	F. Cross Collateralization	5
	G. DWSRF Loan Program Financial Statements	5
	H. Federal Requirements	5
	I. Compliance with 40 CFR Part 31	6
VIII.	Projects Funded	6
IX.	Eligibility	7
X.	Set-Asides	8
XI.	Assistance to Small Systems	8
XII.	Disadvantaged Communities	8

Exhibits:

Exhibit A:	Goals and Objectives of the DWSRF Loan Program SFY 2010 Intended Use Plan
Exhibit B:	20% Green Project Reserve for American Recovery and Reinvestment Act Projects
Exhibit C:	20% Green Project Reserve Required for FFY 2010 Capitalization Grant Year
Exhibit D:	30% Additional Subsidization for American Recovery and Reinvestment Act Projects
Exhibit E:	30% Additional Subsidization Required for FFY 2010 Capitalization Grant Year
Exhibit F:	SFY 2010 DWSRF Loan Program Project Descriptions
Exhibit G:	Cumulative History of the Federal DWSRF Capitalization Grants
Exhibit H:	Cumulative History of the State Match
Exhibit H-1:	Schedule 1 to Exhibit H
Exhibit I:	Summary of DWSRF Loan Program Loans Closed in SFY 2010
Exhibit J:	Expeditious and Timely Use of Funds
Exhibit J-1:	Schedule 1 to Exhibit J
Exhibit J-2:	SRF Investment Agreements
Exhibit K:	SFY 2010 DWSRF Loan Program Quarterly Interest Rates
Exhibit L:	Summary of DWSRF Transfers
Exhibit M:	Combined Financial Statements
Exhibit N:	Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports
Exhibit O:	DWSRF Projects Closed in SFY 2010 Map
Exhibit P:	DWSRF Projects Closed Since 1999 Map
Exhibit Q:	Summary of Set-Aside Activities in SFY 2010
Exhibit R:	Summary of Set-Aside Funds in SFY 2010

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I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2010 (July 1, 2009 - June 30, 2010). It is prepared in accordance with Section 1452 of the Safe Drinking Water Act (SDWA), as amended, 42 U.S.C. 300j-12, and with 40 CFR 35.3570.

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

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

III. GOALS AND OBJECTIVES OF THE SFY 2010 INTENDED USE PLAN – 40 CFR 35.3570 (a)(1)

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

To accomplish these intentions, the Authority set short-term and long-term goals and objectives as part of the SFY 2010 Intended Use Plan (IUP). A description of how the DWSRF Loan Program has achieved these goals or is working toward them is in Exhibit A.

The “American Recovery and Reinvestment Act of 2009” (ARRA) and EPA’s Federal Fiscal Year (FFY) 2010 capitalization grant required the Authority to allocate 20 percent of its funds to green projects. The Authority accomplished this requirement via its Green Project Reserve (GPR) Sustainability Incentive Program, which is offered by the SRF Loan Programs to participants that incorporate green project components into their projects. Exhibit B, 20% Green Project Reserve for American Recovery and Reinvestment Act Projects, and Exhibit C, 20% Green Project Reserve Required for FFY 2010 Capitalization Grant Year, list the ARRA

and 2010 capitalization grant GPR projects. Although Exhibit B is complete, Exhibit C, 20% Green Project Reserve Required for FFY 2010 Capitalization Grant Year, is not yet complete. However, the Authority has four years to meet the requirement. Exhibit C will be updated in subsequent Annual Reports until requirement has been met.

Another goal of the Authority is to disburse 30 percent of its ARRA funds and 30 percent of its 2010 capitalization grant in the form of additional subsidization. Additional subsidization could be in the form of principal forgiveness, negative interest rate loans, or grants; however, the Authority accomplished this requirement in the form of principal forgiveness. Exhibit D, 30% Additional Subsidization for American Recovery and Reinvestment Act Projects, and Exhibit E, 30% Additional Subsidization Required for FFY 2010 Capitalization Grant Year, list participants that received principal forgiveness. Although Exhibit D is complete, Exhibit E, 20% Additional Subsidization Required for FFY 2010 Capitalization Grant Year, is not yet complete. However, the Authority has four years to meet the requirement. Exhibit E will be updated in subsequent Annual Reports until requirement has been met. Priority for additional subsidization was given to communities that could not otherwise afford such projects.

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

All DWSRF Loan Program-funded projects and activities were in compliance with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). A description of each project funded in SFY 2010 is attached in Exhibit F.

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

The Authority has fully met its State Match requirements through the end of SFY 2010 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF). The State deposited \$7 million of State Match in the DWSRF Loan Program in SFY 2010. To date, the DWSRF Loan Program State Match has aggregated in excess of 20 percent of the awarded \$169.6 million capitalization grants through June 30, 2010. See Exhibit G for a history of the capitalization grants awarded to the DWSRF Loan Program. Exhibit H details State Match deposited in the DWSRF through the end of SFY 2010; the sources of such State Match; and how repayment of revenue bonds providing any such State Match has been (and will continue to be) managed in a manner consistent with federal and state law.

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

During SFY 2010, the DWSRF Loan Program closed 35 loans totaling \$79,590,684. Of these 35 loans, 25 loans received funds, totaling \$20,492,400, from ARRA funds. Since the DWSRF Loan Program's inception in 1997, over 155 loans aggregating over approximately \$425 million have been closed, which

is more than two times the amount of federal capitalization grants that have been awarded to the DWSRF Loan Program (\$169,641,100). For a summary of all loans closed by the DWSRF Loan Program during SFY 2010, see Exhibit I.

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

The DWSRF Loan Program is a leveraged program and has established itself as a highly rated borrower in the national bond market. The Authority has utilized its capitalization grants to leverage multiple series of bonds, aggregating over \$267 million in outstanding principal as of June 30, 2010, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit J: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, and costs of issuance.

A. Interest Rates

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

Interest rates applied to new loans are reset on the first business day of each January, April, July and October using a Base DWSRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90 percent of the average 20-year, AAA-rated general obligation bond Municipal Market Data (MMD) composite index for the most recent calendar month. The Base Rate is then discounted further based upon a participant's Median Household Income (MHI) from the 2000 Census data and projected user rates. User rate information is reviewed by the DWSRF Loan Program staff to finalize a DWSRF Loan Program interest rate.

The DWSRF Loan Program interest rates ranged from 2.06 percent to 3.87 percent, during SFY 2010. A summary of the actual interest rates for each quarter of SFY 2010 is set forth in Exhibit K.

The subsidized DWSRF Loan Program interest rate has provided aggregate savings of \$53,346,842 to participants closing a DWSRF Loan Program loan during SFY 2010. See "SRF Savings" column Exhibit I for savings provided to each participant.

B. Terms

Consistent with applicable law, all DWSRF Loan Program loans closed in SFY 2010 were structured with annual principal repayments commencing one

year after expected completion of the proposed project and a final principal payment no later than 20 years after expected completion of the proposed project.

C. Other Assistance Provided

During SFY 2010, the DWSRF Loan Program provided \$20,492,400 in ARRA funds to 25 loan recipients. \$26,694,202 of the total ARRA funds were provided in the form of principal forgiveness thereby enabling the Authority to meet the ARRA requirement to use not less than 50 percent of its capitalization grant to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans or grants or any combination of these. \$517,798 of the ARRA funds were provided as a loan.

The amount of principal forgiveness was determined based on a participant’s MHI and user rates. Thus, a lower MHI and a high user rate may afford a participant a greater amount of principal forgiveness than a participant with a high MHI and a low user rate. (See matrix below which identifies the percentage of the principal forgiveness.) When project costs exceeded the amount of principal forgiveness, a participant had the choice to either fund the balance with cash-on-hand or close a traditional DWSRF loan. Interest rates were set using the standard SRF interest rate structure.

MHI	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
under \$33,669	75% principal forgiveness	60% principal forgiveness	40% principal forgiveness
\$33,670 to \$41,566	60% principal forgiveness	50% principal forgiveness	30% principal forgiveness
over \$41,567	50% principal forgiveness	40% principal forgiveness	25% principal forgiveness

During SFY 2010, the DWSRF Loan Program did not provide any DWSRF Pooled Loans, a program that offers eligible participants the “AAA” interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

During SFY 2010, the DWSRF Loan Program refinanced one project for the Town of Cedar Lake.

D. Administrative Fees – 40 CFR 35.3570 (a)(3)(ix)

The cost of financing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require participants to offset some of these costs through a Loan Closing Fee, which is \$1,000 per participant. The DWSRF Loan Program may also assess a Non-Use Fee against participant for funds not used for project costs two years following a loan closing. In SFY 2010, the DWSRF Loan Program collected \$26,000 in Loan Closing Fees. The

DWSRF Loan Program has not collected Non-Use Fees from a participant, to date.

E. Transfers– 40 CFR 35.3570 (a)(3)(x)

The State permits transfers between the DWSRF Loan Program and the CWSRF Loan Program of capitalization grants and other funds held in or allocable to such funds to the extent permitted by the Clean Water Act (CWA) and the SDWA. There were no transfers in SFY 2010. For a historic summary of transfers, see Exhibit L.

F. Cross Collateralization – 40 CFR 35.3570 (a)(3)(xi)

To the extent permitted by the CWA and the SDWA, the State has cross-collateralized the CWSRF and the DWSRF Loan Programs to optimize capitalization requirements and to better manage the specific funding needs of projects.

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

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

G. DWSRF Loan Program Financial Statements

The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2010, which ended June 30, 2010, the DWSRF Loan Program received an unqualified opinion from an independent auditor, as described in Exhibit M.

The DWSRF Loan Program is audited annually for compliance with the requirements set forth in the U.S. Office of Management and Budget (OMB) Circular A-133. For SFY 2010 ended June 30, 2010, the DWSRF Loan Program was determined to be "in compliance," as noted in the Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports. The A-133 Report is provided as Exhibit N.

H. Federal Requirements

The Authority has fulfilled all applicable federal requirements required by the SDWA including:

- assurances and certifications provided in the IUP have been met;

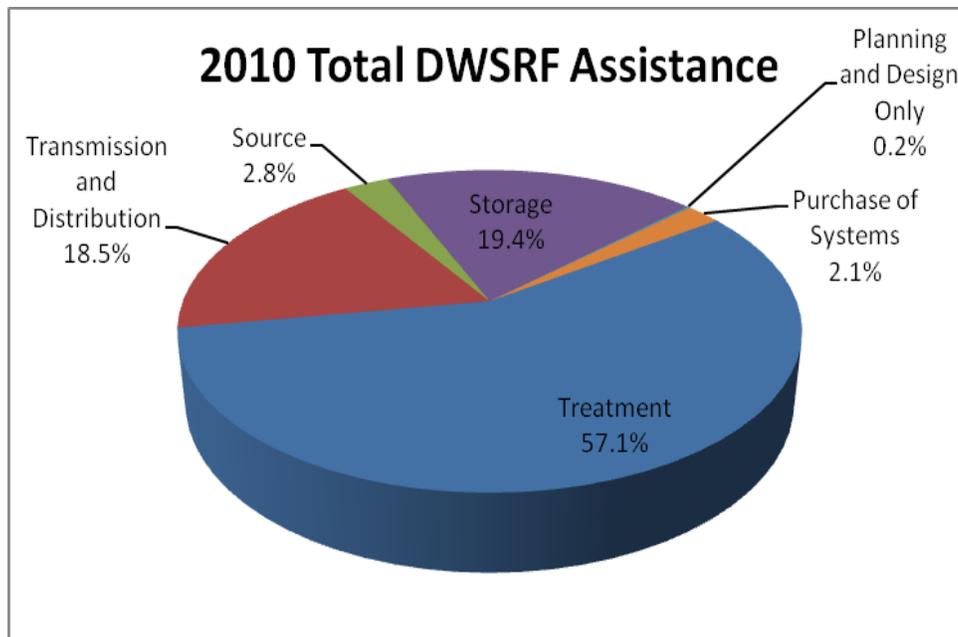
- closed loans equal more than the required 120 percent of each quarterly capitalization grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been done in accordance with federal and state law. All loans made during the SFY 2010 had related projects listed on the Authority's Drinking Water Project Priority List (PPL).

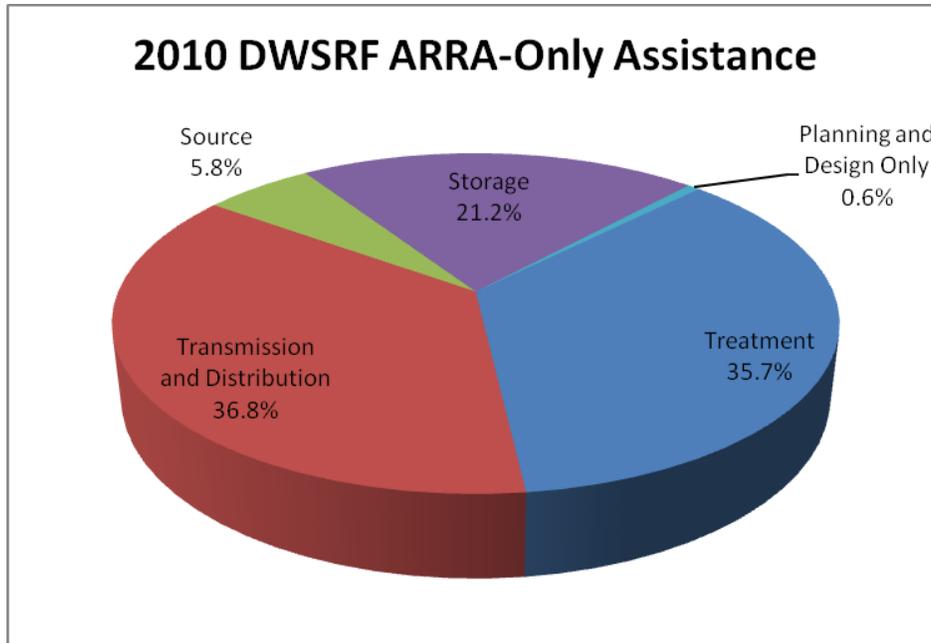
I. Compliance with 40 CFR Part 31 – 40 CFR 35.3570 (a)(3)(xiv)
 The DWSRF Loan Program complied with all requirements of 40 CFR Part 31.

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

The scoring and ranking system of the DWSRF Loan Program focuses on those projects with the greatest public health need. A map showing the location of projects funded in SFY 2010 is attached as Exhibit O. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit P.

Treatment projects accounted for almost 60 percent of the total DWSRF assistance provided in SFY 2010, as shown in the *2010 Total DWSRF Assistance* pie chart below.





Whereas, for the SFY 2010 DWSRF ARRA-only funds, Treatment projects and Transmission and Distribution projects were almost equal at 36 percent and 37 percent, respectively, as shown in the *2010 DWSRF ARRA-Only Assistance* pie chart above.

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

All projects funded during SFY 2010 were reviewed for eligibility. It is the goal of the DWSRF Loan Program to ensure that each project:

- A. allows the participant to achieve or maintain compliance with the SDWA;
- B. allows the participant to provide drinking water of adequate quality and quantity to residents;
- C. allows the participant to achieve or maintain technical, financial, and managerial capacity;
- D. does not cause environmental concerns for the Department of Environmental Management (Department) or other environmental review authorities. Prior to funding, each project was reviewed in accordance with the EPA-approved SERP.

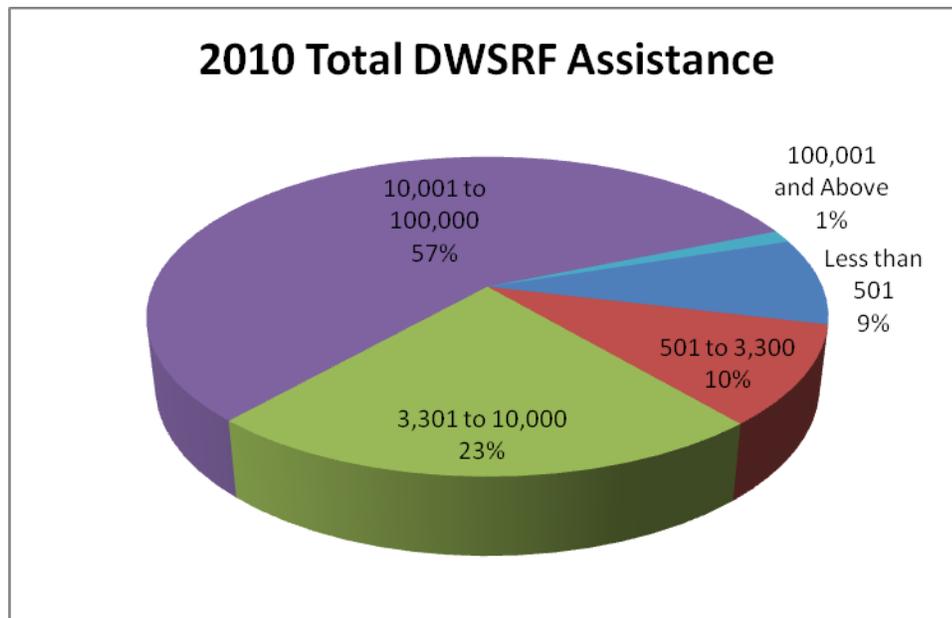
In SFY 2010, 97 percent of DWSRF dollars funded projects that assisted compliant systems maintain compliance with the SDWA, while 3 percent of DWSRF dollars funded projects that helped non-compliant system achieve compliance.

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

The Authority is responsible for managing the Set-Aside funds. In SFY 2010, the Authority’s average Set-Aside spending rate was 91.9 percent, which is a ratio of funds expended versus funds awarded. See Exhibits Q and R for a summary of Set-Aside activities and funds.

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

The Authority must provide at least 15 percent of the DWSRF to small systems, defined in Indiana as a public water system that regularly serves 10,000 or fewer persons. In SFY 2010, 42 percent of DWSRF dollars funded systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 45 percent of its funds to small systems.



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

The Authority defines a disadvantaged participant as one with both 1) MHI below \$33,669, as established by the 2000 US Census, and 2) an estimated post project user rate greater than \$45.00 per month. These communities are eligible to receive the lowest interest rate the Authority provides to DWSRF Loan Program participants. See Section VII.A of this Annual Report for a description of the DWSRF Loan Program’s interest rate structure.

During SFY 2010, the Authority provided approximately \$57 million to 26 disadvantaged communities. The total disadvantaged population served was 831,368 persons.

Exhibit A
Goals and Objectives of the DWSRF Loan Program SFY 2010 Intended Use Plan

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during SFY 2010, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

ST1a Goal: Seek the immediate award of the FFY 2010 capitalization grant. Upon award, continue to disburse loan proceeds such that the 2010 capitalization grant can promptly be utilized. Ensure that 30 percent of the 2010 capitalization grant is used to provide additional subsidization in the form of principal forgiveness, negative interest loans or grants. Ensure that 20 percent of the 2010 capitalization grant is allocated to fund green projects. Work diligently to identify and fund projects that address or have components of green infrastructure, water or energy efficiency improvements or other environmentally innovative activities in them. Ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under ARRA or with funds allocated under the 2010 capitalization grant.

Result: The Authority was awarded the FFY 2010 capitalization grant on July 12, 2010. The DWSRF Loan Program has disbursed loan proceeds in such a manner to allow the 2010 capitalization grant to be fully drawn.

The DWSRF Loan Program will continue to: ensure that 30 percent of the 2010 capitalization grant is used to provide additional subsidization in the form of principal forgiveness, negative interest loans or grants; ensure that 20 percent of the 2010 capitalization grant is allocated to fund green projects, and; ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under ARRA or with funds allocated under the 2010 capitalization grant. To see the progress in meeting these goals, see Exhibit C: 20% Green Project Reserve Projects by Capitalization Grant Year and Exhibit E: 30% Additional Subsidization Projects by Capitalization Grant Year.

ST1b Goal: Continue to expedite spending of the remaining ARRA funds. The DWSRF Loan Program will disburse the loan proceeds from the ARRA capitalization grant first.

Result: As of June 30, 2010, the Authority has disbursed \$20,695,429, or 76 percent, of its DWSRF ARRA funds.

ST1c Goal: If available, apply for and seek the immediate award of any capitalization grant reallocated under the ARRA.

Result: Reallocated ARRA funds were not available.

ST1d Goal: Seek to use all remaining funds appropriated under the ARRA in a manner that maximizes job creation and economic benefit. Prioritize those projects that are ready to proceed to construction.

Result: The Authority received 115 drinking water applications for ARRA funds. The Authority prioritized SRF eligible ARRA projects based on readiness to proceed.

ST2a Goal: Utilize the EPA Drinking Water Project Benefits Reporting System to evaluate the benefits of the Indiana DWSRF Loan Program. Among other parameters, the reporting system will evaluate the number of Indiana DWSRF projects that provide the following public health benefits:

1. Achieve compliance with the Safe Drinking Water Act;
2. Maintain compliance with the Safe Drinking Water Act; and
3. Meet future requirements of the Safe Drinking Water Act.

Result: In SFY 2010, 97 percent of DWSRF funds went towards projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 3 percent of funds assisted non-compliant systems achieve compliance.

ST2b Goal: The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

Result: The Authority began weekly reporting on May 22, 2009 and will continue as required.

ST3 Goal: Conduct at least 30 technical inspections during the construction phase and the post-construction phase to document the construction progress, as well as the appropriate use of SRF funds.

Result: SRF Loan Program staff completed 33 drinking water inspections in SFY 2010.

ST4 Goal: Conduct financial audits to assess Participants financial strength and their ability to repay loans, and work with Participants as needed.

Result: SRF Loan Program staff conducted financial audits for approximately 21 drinking water borrowers in SFY 2010. The audits consisted of a combination of reviewing the borrowers' financial due diligence in house, meeting face to face with borrowers, telephone conversations, and on-site visits.

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

Result: The Authority did not disburse any Small System Technical Assistance Fund grants in SFY 2010 due to the availability of ARRA funds.

ST6 Goal: Close out the Arsenic Grant Remediation Program. This program has provided financial assistance for compliance with the arsenic standard to all SRF eligible public water systems that currently cannot meet the newly lowered standard.

Result: During SFY 2010, the Authority disbursed 13 Arsenic Remediation Grants, which totaled \$1,265,180. These grants were funded from a combination of the State Program Management Set-Aside (\$256,710.67) and State Supplemental funds (\$1,008,469.33), with the Set-Aside funds paying for planning and design and the State Supplemental funds paying for construction costs. With the disbursement of these grants, the final draw was made 12/21/09 and the program was closed.

ST7 Goal: Work diligently with Participants and effectively manage Proposed Projects to assist Participants in closing loans and constructing projects in a timely, efficient manner. This is accomplished by the following metrics:

ST7a Goal: Schedule a Project Planning Meeting with each Participant within two weeks of receipt of application.

Result: With the exception of ARRA applications, a Project Planning Meeting was scheduled within one week of receipt of an application.

ST7b Goal: Issue a follow-up letter to each Participant within five days after a Project Planning Meeting.

Result: With the exception of ARRA applicants, a Project Planning Meeting follow up letter was issued within five days following the meeting.

ST7c Goal: Perform a completeness review within 10 days of receipt of a Preliminary Engineering Report.

Result: In SFY 2010, on average, a completeness review was performed within six days of receipt of Preliminary Engineering Report.

ST7d Goal: Complete a technical review of each Preliminary Engineering Report in less than 45 days.

Result: In SFY 2010, on average, a technical review was performed within 24 days. This figure includes the ARRA applicants.

ST7e Goal: Issue environmental review documents in less than 90 days.

In SFY 2010, on average, an environmental review document was issued within 34 days. This figure includes the ARRA applicants.

ST7f Goal: Approve bidding documents in less than five days.

Result: In SFY 2010, on average, authorization to bid was issued within five days. This figure includes the ARRA applicants.

B. Long-Term Goals and Objectives

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

Result: Yes. Thirty-five loans were closed with interest rates ranging from 0.00 percent-3.87 percent. See Exhibit I, Summary of Closed Loans for SFY 2010.

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

Result: The SRF Loan Program continues to manage the investment and programmatic use of its funds to maintain its financial integrity.

LT3 Goal: Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York, ensure the DWSRF Loan Program continues to avoid loan defaults. In particular, review the financial statements for Participants receiving a State Board of Accounts audit in the current calendar year. Require new Participants to utilize

paying agent agreements and offer all prior Participants the opportunity to enter into a paying agent agreement. Conduct financial on-site visits as warranted.

Result: The SRF Loan Program monitors all participants. For those participants with a Paying Agent Agreement, the SRF Loan Program monitors both the debt service reserve account and the bond and interest account on a quarterly basis. For participants without a Paying Agent Agreement, the SRF Loan Program monitors debt service balances by requesting the balance and a copy of the Participant's bank statement. In addition, the SRF Loan Program staff completed 21 financial site visits in SFY 2010.

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

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

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

Result: The SRF Loan Program continues to monitor all Participants' use of funds. As loans are closed out and reamortized, any unused loan funds are made available to other Participants on the Project Priority List.

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

Result: Intended Use Plans, Annual Reports, and National Infrastructure Management System data are well-prepared and submitted to EPA in a timely manner. See also, LT14c Goal.

LT7 Goal: Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances quarterly. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate.

Result: The Authority continues to quarterly reconcile Set-Aside balances and close out capitalization grants when appropriate.

LT8 Goal: Provide at least 15 percent of the DWSRF to systems serving fewer than 10,000 persons.

Result: In SFY 2010, 42 percent of DWSRF funds went to systems serving fewer than 10,000 persons.

LT9 Goal: Periodically publish an SRF Loan Program newsletter.

Result: A newsletter was published Spring 2010 and electronically distributed.

LT10 Goal: Work with the other state and federal drinking water infrastructure financing agencies to coordinate efficient and effective financing of drinking water projects.

Result: The DW and CW Program Administrators continue to participate on the Indiana Rural Development Council's Environmental Infrastructure Working Group (EWIG), which brings state and federal funding agencies together for a one-stop-shop for communities seeking funding for infrastructure projects.

The DW and CW Program Administrators have completed the Office of Community and Rural Affairs Community Development Block Grant - Grant Administration certification, which furthers their knowledge of this agency's program.

LT11 Goal: Develop a comprehensive database for staff to reference all information related to each SRF project.

Result: The Authority is partnering with the Indiana Department of Environmental Management to contract the development of a database for SRF project information. In addition, the Authority is also developing a more detailed comprehensive project tracking system.

LT12 Goal: Complete a drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Proposed Projects.

Result: The SRF Loan Program technical reviewers training course has been suspended as the technical reviewers focus on ARRA and implementing the Green Project Reserve Sustainability Incentive Program (see LT15). Tentatively, the course will resume in the first quarter of 2011.

LT13 Goal: Coordinate the co-funding of an Indiana Finance Authority Brownfield Program and DWSRF Loan Program project.

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

LT14 Goal: Work diligently with Participants who receive ARRA funds to effectively manage their Proposed Projects so as to meet all of the requirements of the ARRA, including the following:

LT14a Goal: Ensure that projects to be funded under ARRA are under a binding commitment and are under contract or construction within 12 months of the date of enactment of the ARRA. Priority of funds shall be given to projects on the PPL that are ready to proceed to construction.

Result: The Authority prioritized SRF eligible ARRA projects that are ready to proceed. As a result, all projects funded with ARRA were under contract or construction within 12 months of the date of enactment of the ARRA.

LT14b Goal: Ensure that none of the funds appropriated may be used for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project is produced in the United States unless a waiver is given by EPA. This requirement shall be applied in a manner consistent with the U.S. obligations under international agreements.

Result: The Authority required all Participants receiving ARRA funds to certify that the project complies with the ARRA Buy American requirement.

LT14c Goal: The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather

information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

Result: The Authority began weekly reporting on May 22, 2009 and will continue as required.

LT14d Goal: Ensure that Davis-Bacon Act wage rules apply to all assistance agreements made in whole or in part with the funds appropriated under the ARRA.

Result: The Authority has required all Participants receiving ARRA funds to certify that the project complies with the ARRA Davis-Bacon requirement.

LT14e Goal: Notwithstanding the requirements of section 1452(a) (2) of the SDWA, ensure that not less than 50 percent of the capitalization grant appropriated under the ARRA shall be used to provide additional subsidization in the form of forgiveness of principal, negative interest loans or grants.

Result: The Authority provided 98 percent of the ARRA capitalization grant in the form of principal forgiveness. See Exhibit D: 30% Additional Subsidization for American Recovery and Reinvestment Act Projects.

LT14f Goal: Section 1452(k) of the SDWA shall not apply to funds received under the ARRA.

Result: The Authority took no Set-Asides under section 1452(k) of the SDWA.

LT15 Goal: Provide incentives to Participants through the Sustainable Infrastructure and Green Initiatives (SI/GI) Incentive program. The SRF Loan Programs created the SRF SI/GI Incentive to encourage CW and DW SRF Loan Program participants to utilize green practices and sustainable infrastructure principles in wastewater and drinking water infrastructure projects. The SRF SI/GI Incentive provides two main benefits:

- 1) Up to 0.5 percent interest rate discount over the entire loan to help offset SI/GI components costs, and
- 2) Improved ranking on the SRF Project Priority List.

Result: In SFY 2010, the Authority renamed the SI/GI Incentive program the Green Project Reserve (GPR) Sustainability Incentive Program. This new program encourages Participants to incorporate green project components into projects.

Both the ARRA capitalization grant and the 2010 capitalization grant required the Authority to ensure that no less than 20 percent of the funds of each grant are appropriated for green project components. For the progress on meeting these goals, see Exhibit B: 20% Green Project Reserve for American Recovery and Reinvestment Act Projects and Exhibit C: 20% Green Project Reserve Projects by Capitalization Grant Year.

LT16 Goal: Develop the Well Closure Assistance Program with the purpose of providing grant assistance to Community Water Systems for identification and proper closure of unused wells.

Result: A Well Closure Assistance Program proposal was developed and submitted to EPA on December 1, 2008. The initial EPA review was favorable. The Authority has placed the final implementation of the program on hold due to ARRA workload.

Indiana DWSRF Loan Program
Exhibit B - 20% Green Project Reserve for American Recovery and Reinvestment Act Projects

DWSRF Loan Program ARRA Capitalization Grant = \$27,212,000
20% Green Project Reserve Required = \$5,442,400
25% Green Project Reserve Achieved = \$6,711,479

Community	Project Description	Total Project Cost	Green Project Description	Business Case (BC) or Categorical Exemption (CE)	Category 1: Green Infrastructure	Category 2: Water Efficiency	Category 3: Energy Efficiency	Category 4: Environmentally Innovative	Total Eligible GPR Cost (sum of Categories 1-4)
Boonville	storage, SCADA	\$3,515,000	SCADA /gen/ meters/reuse of tank	BC	\$30,000	\$50,000	\$376,000		\$456,000
North Manchester	water treatment plant	\$4,075,000	SCADA / gen	BC			\$324,096		\$324,096
Liberty	water main	\$1,158,600	none	N/A					\$0
Madison	water mains	\$1,095,000	generator	BC			\$75,000		\$75,000
Jackson County Water Utility	water wells, water treatment plant, storage, water mains	\$3,300,000	pumps	BC			\$108,000		\$108,000
Churubusco	water treatment plant	\$2,580,000	meter/SCADA/gen/ pumps	BC	\$10,000	\$10,000	\$121,780		\$141,780
Marion	water treatment plant	\$220,000	SCADA, new WTP equipment	BC			\$31,380		\$31,380
Union City	water treatment plant	\$465,000	generator	BC			\$50,000		\$50,000
Elwood	water treatment plant	\$2,300,000	SCADA /leak detection	BC	\$20,000	\$100,000	\$205,200		\$325,200
Rising Sun	water well	\$82,500	pump/meter	BC		\$10,000	\$36,800		\$46,800
South Bend	valves, storage, media	\$715,000	none	N/A					\$0
Plainfield	storage	\$3,352,000	SCADA / gen /porous pavement	BC		\$10,000	\$116,400		\$126,400
Lowell	water meters	\$280,000	meters	CE		\$280,000			\$280,000
Winslow	raw water intake	\$66,412	none	N/A					\$0
Hammond	water treatment plant	\$1,072,682	none	N/A			\$0		\$0
Anderson	storage	\$1,373,200	SCADA	BC			\$21,000		\$21,000
Charlestown	planning and design	\$131,062	none	N/A					\$0
Fortville	water main and storage	\$2,700,000	SCADA	BC			\$35,000		\$35,000
Goshen	SCADA	\$1,687,000	SCADA	BC		\$454,000			\$454,000
North Dearborn Water Corporation	water mains and storage	\$1,340,000	water main/SCADA	BC			\$10,200		\$10,200
East Chicago	water treatment plant	\$54,400,000	wtp/SCADA/vfd	BC		\$1,500,000	\$1,500,000		\$3,000,000
Indiana American Water - Farmersburg	water main	\$268,408	none	N/A					\$0
Indiana American Water - Garden City	water main	\$643,746	none	N/A					\$0
Indiana American Water - Kokomo	water main	\$271,738	none	N/A					\$0
Indiana American Water - Muncie	water main	\$397,193	none	N/A					\$0
Indiana American Water - Gary	water main	\$296,600	none	N/A					\$0
Indiana American Water - Richmond	water main	\$467,523	none	N/A					\$0
Indiana American Water - Terre Haute	water main	\$378,620	none	N/A					\$0
Mitchell	water wells, water main	\$1,340,000	vfd	BC			\$20,000		\$20,000
Charlestown State Park	water treatment plant, water mains, storage	\$6,330,000	SCADA/gen/wm	BC		\$400,000	\$600,000		\$1,000,000
Whitestown	water main	\$2,800,000	New Water Mains, Abandon Existing WTP	BC			\$206,623		\$206,623

TOTAL

\$6,711,479

Indiana DWSRF Loan Program
Exhibit C - 20% Green Project Reserve Required for FFY 2010 Capitalizations Grant

DWSRF Loan Program FFY 2010 Capitalization Grant = \$22,638,000
20% Green Project Reserve Required = \$4,527,600
16% Green Project Reserve Achieved ¹ = \$3,581,639

Community	Project Description	Total Project Cost	Total SRF Loan and Principal Forgiveness Amount	Green Project Description	Business Case (BC) or Categorical Exemption (CE)	Category 1: Green Infrastructure	Category 2: Water Efficiency	Category 3: Energy Efficiency	Category 4: Environmentally Innovative	Total Eligible GPR Cost (sum of Categories 1-4)	Business Case posted to the IFA website
Princeton	water mains, water treatment plant, storage	\$3,935,610	\$2,866,000	HS Pumps, Transfer Pumps	BC			\$350,000		\$350,000	no
North Vernon	water treatment plant	\$1,196,000	\$1,196,000	none	N/A					\$0	N/A
Dunkirk	water treatment plant, water mains	\$1,517,000	\$1,517,000	Generator	BC			\$65,880		\$65,880	no
Chandler	new water treatment plant	\$6,800,779	\$3,220,000	Water Treatment Plant/SCADA/VFD	BC		\$270,000	\$270,000		\$540,000	no
Centerville	water treatment plant	\$800,000	\$400,000	HS Pumps w/VFD	BC			\$111,257		\$111,257	yes
Cedar Lake	utility purchase	\$1,700,000	\$1,700,000	none	N/A					\$0	N/A
Brazil	well, storage, mains	\$8,131,470	\$4,670,000	SCADA, water main replacement	BC		\$2,229,154	\$155,848		\$2,385,002	yes
Cataract Lake Water Corporation	water well, water storage	\$900,000	\$900,000	SCADA, new pumps	BC			\$129,500		\$129,500	yes

TOTAL

\$3,581,639

¹ Exhibit C is not yet complete and will be updated in subsequent Annual Reports until requirement has been met. The Authority has four years to meet the requirement.

Indiana DWSRF Loan Program
Exhibit D - 30% Additional Subsidization for American Recovery and Reinvestment Act Projects

DWSRF Loan Program ARRA Capitalization Grant Amount = \$27,212,000
30% Additional Subsidization Required = \$8,163,600
98% Additional Subsidization Achieved = \$26,694,202

Participant	Population	Closing Date	SRF Loan Amount	ARRA Loan Amount	ARRA Principal Forgiveness Amount	Total SRF Assistance	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF P & I*
Boonville	10,260	30-Apr-09	\$1,757,500	\$0	\$1,757,500	\$3,515,000	5.50%	\$5,882,657	3.38%	\$2,446,414
North Manchester	6,260	7-May-09	\$2,845,000	\$0	\$1,230,000	\$4,075,000	5.50%	\$6,819,865	3.88%	\$4,142,434
Liberty	2,061	11-May-09	\$695,000	\$0	\$463,600	\$1,158,600	5.50%	\$1,939,017	3.63%	\$989,559
Madison	14,995	13-May-09	\$766,500	\$0	\$328,500	\$1,095,000	5.50%	\$1,832,577	3.88%	\$1,116,055
Jackson County	10,262	1-Jun-09	\$1,650,000	\$0	\$1,650,000	\$3,300,000	5.50%	\$5,522,836	3.38%	\$2,296,776
Churubusco	1,666	22-Jun-09	\$1,290,000	\$0	\$1,290,000	\$2,580,000	5.50%	\$4,317,853	3.38%	\$1,795,661
Marion	31,590	17-Jul-09	\$0	\$0	\$220,000	\$220,000	5.50%	\$368,189	0.00%	\$0
Union City	3,790	20-Jul-09	\$279,000	\$0	\$186,000	\$465,000	5.50%	\$778,218	3.37%	\$388,011
Elwood	9,874	24-Jul-09	\$1,380,000	\$0	\$920,000	\$2,300,000	5.50%	\$3,849,249	3.37%	\$1,919,193
Rising Sun	2,400	6-Aug-09	\$0	\$0	\$82,500	\$82,500	5.50%	\$138,071	0.00%	\$0
South Bend	113,400	1-Sep-09	\$429,000	\$0	\$286,000	\$715,000	5.50%	\$1,196,614	3.37%	\$596,619
Plainfield	15,500	8-Sep-09	\$2,514,000	\$0	\$838,000	\$3,352,000	5.50%	\$5,609,862	3.87%	\$3,657,227
Lowell	7,705	15-Sep-09	\$0	\$0	\$280,000	\$280,000	5.50%	\$468,604	0.00%	\$0
Winslow	881	15-Sep-09	\$0	\$0	\$66,412	\$66,412	5.50%	\$111,146	0.00%	\$0
Hammond	78,292	24-Sep-09	\$0	\$0	\$1,072,682	\$1,072,682	5.50%	\$1,795,226	0.00%	\$0
Fortville	4,585	15-Oct-09	\$2,025,000	\$0	\$675,000	\$2,700,000	5.50%	\$4,518,684	3.31%	\$2,800,854
Goshen	31,500	15-Oct-09	\$1,181,000	\$0	\$506,000	\$1,687,000	5.50%	\$2,823,341	3.06%	\$1,596,455
North Dearborn Water Corporation	5,203	15-Oct-09	\$804,000	\$0	\$536,000	\$1,340,000	5.50%	\$2,242,606	2.81%	\$1,061,932
Anderson	58,000	15-Oct-09	\$0	\$0	\$1,373,200	\$1,373,200	5.50%	\$2,298,169	0.00%	\$0
Charlestown	6,800	15-Oct-09	\$0	\$0	\$131,062	\$131,062	5.50%	\$219,344	0.00%	\$0
East Chicago	33,001	12-Nov-09	\$27,200,000	\$0	\$3,000,000	\$30,200,000	5.50%	\$50,542,315	2.81%	\$35,926,045
IAW - Farmersburg	1,998	14-Dec-09	\$88,408	\$0	\$180,000	\$268,408	5.50%	\$449,204	2.31%	\$111,397
IAW - Gary	173,431	14-Dec-09	\$116,600	\$0	\$180,000	\$296,600	5.50%	\$496,386	2.31%	\$146,919
IAW - Kokomo	74,950	14-Dec-09	\$91,738	\$0	\$180,000	\$271,738	5.50%	\$454,777	2.31%	\$115,593
IAW - Muncie	74,950	14-Dec-09	\$217,193	\$0	\$180,000	\$397,193	5.50%	\$664,737	2.31%	\$273,670
IAW - Richmond	42,454	14-Dec-09	\$287,523	\$0	\$180,000	\$467,523	5.50%	\$782,440	2.31%	\$362,288
IAW - Terre Haute	64,873	14-Dec-09	\$198,620	\$0	\$180,000	\$378,620	5.50%	\$633,653	2.31%	\$250,267
IAW - Garden City	80	14-Dec-09	\$0	\$0	\$643,746	\$643,746	5.50%	\$1,077,365	0.00%	\$0
Mitchell	4,567	22-Dec-09	\$290,000	\$0	\$348,000	\$638,000	5.50%	\$1,067,748	2.06%	\$356,766
Whitestown	2,200	12-Jan-10	\$882,202	\$517,798	\$1,400,000	\$2,800,000	5.50%	\$4,686,042	2.56%	\$1,806,315
Charlestown State Park	124	20-Jan-10	\$0	\$0	\$6,330,000	\$6,330,000	5.50%	\$10,593,803	0.00%	\$0

TOTAL **\$26,694,202**

*P & I = Principal and Interest

Indiana DWSRF Loan Program
 Exhibit E - 30% Additional Subsidization Required for FFY 2010 Capitalization Grant

DWSRF Loan Program FFY 2010 Capitalization Grant = \$22,638,000
 30% Additional Subsidization Required = \$6,791,400
 1% Additional Subsidization Achieved ¹ = \$318,388

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF P & I *
Indianapolis Water Company (Unserved Areas project)	16-Sep-10	\$0	\$318,388	\$318,388	5.00%	\$510,966	0.00%	\$0

TOTAL **\$318,388**

* P & I = Principal and Interest

¹ Exhibit E is not yet complete and will be updated in subsequent Annual Reports until requirement has been met. The Authority has four years to meet the requirement.

Exhibit F
SFY 2010 DWSRF Loan Program Project Descriptions

DWSRF Participant: Marion	
SRF Project #: DW 09102701	DWSRF Loan Amount: \$0
PWS ID #: IN5227014	Principal Forgiveness: \$220,000
Repayment Period: 1 yr	Total Loan and Principle Forgiveness: \$220,000
DWSRF Loan Closed: 07/17/2009	Estimated SRF Savings: \$368,189
NIMS Categories: Treatment: \$220,000	Affected Population: Before project: 31,590 After project: 31,590
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Marion Municipal Utilities' original lime slaker equipment was installed in 1967 and has reached the end of its useful life, due to age and because of the corrosive environment in which the equipment operates. In response, the utility replaced the equipment, which will enable the utility to continue producing safe and reliable drinking water. The process equipment being replaced produces lime slurry, which aids in the softening of the raw water during the treatment process.	
<div style="border: 1px solid black; padding: 5px; width: fit-content;"> <i>Marion's new lime mixing and settling cone and aeration towers.</i> </div>	

DWSRF Participant: Union City	
SRF Project #: DW 09186801	DWSRF Loan Amount: \$279,000
PWS ID #: IN5268010	Principal Forgiveness: \$186,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$465,000
DWSRF Loan Closed: 07/20/2009	Estimated SRF Savings: \$390,207
NIMS Categories: Treatment: \$465,000	Affected Population: Before project: 3,790 After project: 3,790
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Union City operates two water treatment plants, North and South, and both had infrastructure needs. The North Water Treatment Plant's vertical filters were placed into service in 1963. Since then, the filters had developed structural deficiencies making repair no longer cost-effective. In addition, the aerator had reached its end of useful life due to age and structural deterioration, a dehumidifier was needed to reduce moisture in the building, and a gate valve, interior piping gallery, and backwash tank were needed to improve operation efficiency. In response, the city replaced the filters and aerator. The dehumidifier, gate valve, and interior piping gallery were added. At the South Water Treatment Plant, the emergency generator, which was installed in 1978, was undersized and frequently overheated. Therefore,	

city replaced it with a new 200 KW electrical generator.

DWSRF Participant: Elwood

SRF Project #: DW 09134801

DWSRF Loan Amount: \$1,380,000

PWS ID #: IN5248007

Principal Forgiveness: \$920,000

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$2,300,000

DWSRF Loan Closed: 07/24/2009

Estimated SRF Savings: \$1,930,056

NIMS Categories:

Treatment: \$2,197,321

Transmission & Distribution: \$42,440

Source: \$60,238

Affected Population:

Before project: 9,874

After project: 9,874

This Project:

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

Project Description:

The City of Elwood had many drinking water infrastructure needs.

1. South "B" Street Maintenance Building –The existing maintenance building is too small and does not provide adequate covered storage of PVC piping materials. The water utility needs an adequately sized building to store materials and vehicles to properly maintain the system.
2. South "B" Street Water Treatment Plant (WTP) –The building was built in 1953 and has reached the end of its useful life. The doors will be replaced because they have rusted out and a dehumidifier will be installed to reduce humidity within the building and therefore protecting the metal components and electrical equipment from damage. An additional high service pump is being installed at this WTP to meet current rules for redundant pumping units.
3. Rehabilitation of Wells #1, #2 #4, #9 and #10 – Wells #1, #2, and #4, which are located at the South "B" Street WTP, were constructed in 1953. Wells #9 and #10 are located at the South "P" Street WTP and were constructed in 1976. All of the wells have a brick well house that was constructed over the actual well, which has structurally deteriorated over time. These well house structures will be removed and to prevent storm water runoff from entering the wells and potentially contaminating those wells. A pitless adaptor will be installed over each well.
4. South "P" Street WTP – the horizontal filters at this facility will be replaced because the existing filters have been repaired several times and the cost to repair the metal filter structures is exceeding the cost of total replacement. The replacement will provide the utility with a reliable WTP.
5. Master Meter Replacement – The existing five meters at the WTPs are an old venture style meter that are inaccurate in measuring the flows and the repair parts are difficult to locate. The meters will be replaced in order to properly measure flow and to help determine water loss flows so that the utility can further locate and minimize lost water.
6. South "P" Street WTP Detention Tank Repair – The existing detention tank is showing detrimental effects from excessive water seepage through the concrete wall in the forms of flaking and cracking of the exterior surface.



Interior view of Elwood's new maintenance building.

To remedy the situation from progressing and to extend the useful life of the detention tank these defects must be repaired by waterproofing the exterior of the detention tank.

7. South "B" Street WTP Chlorination System Upgrade – The existing chlorination system area does not meet current OSHA regulations and needs a better process control system. Therefore, the chlorine system is going to be upgraded to provide improved isolation, detection, ventilation and staff safety by building a separate chlorine room with a dedicated feed system.
8. Test Wells and Hydrological Study and Additional Water Resource Study – These studies are necessary to locate and determine additional supplies of groundwater for future use.
9. Leak Detection Survey – The utility is currently experiencing a greater than 35 percent unaccounted water loss. To reduce this percentage to an acceptable level a leak detection survey will be conducted to locate distribution leaks.
10. System Mapping – Over the years the utility has not kept good maps of the distribution system. This leads to inefficiencies in utility operations during normal conditions and emergencies. To minimize this problem a distribution system mapping will be conducted.

DWSRF Participant: Rising Sun	
SRF Project #: DW 09595801	DWSRF Loan Amount: \$0
PWS ID #: IN5258002	Principal Forgiveness: \$82,500
Repayment Period: 4 yrs	Total Loan and Principle Forgiveness: \$82,500
DWSRF Loan Closed: 8/6/09	Estimated SRF Savings: \$138,071
NIMS Categories: Source: \$82,500	Affected Population: Before project: 2,400 After project: 2,400
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The City of Rising Sun recently retired one of its wells due to age and declining capacity; a replacement well was needed. In addition, the city needed to replace sodium fluoride and chlorine feed equipment that had reached its end of useful life. In response, the city installed a new 16-inch well equipped with an 800 gallon per minute pump, a new well house, a new fluoride saturator and fluoride metering pumps, a new chlorine injector and regulators, and a chlorine gas leak detection system.	

DWSRF Participant: South Bend	
SRF Project #: DW 09087102	DWSRF Loan Amount: \$429,000
PWS ID #: IN5271014	Principal Forgiveness: \$286,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$715,000
DWSRF Loan Closed: 9/1/09	Estimated SRF Savings: \$599,996

NIMS Categories: Treatment: \$102,876 Transmission & Distribution: \$274,165 Storage: \$337,959	Affected Population: Before project: 113,400 After project: 113,400
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The City of South Bend needed improvements to its ground storage reservoir, water treatment plant and distribution system. In particular: <ol style="list-style-type: none"> 1. The ground storage reservoir at the North Station Water Treatment Plant was built in 1912. The roof was replaced in 1992. Currently the integrity of the roof gland is jeopardized due to the cracking and breaking of the brick pavers. This damage could result in leakage into the reservoir impacting the finished water quality. 2. The Edison Water Treatment Plant's filter media was last replaced in 1995. In 2008, an under drain nozzle in filter cell "3 West" failed allowing media to flow into the under drain, taking the filter cell out of commission. With filter cell "3 West" out of service, the Treatment Plant capacity has been decreased by 1.5 million gallons per day. 3. All four existing main line double disc gate valves are approximately 90 years old and are no longer operational. The valves need to be replaced in order to provide proper control and operation of the existing water system. In response to these needs, the city: <ol style="list-style-type: none"> 1. Removed and replaced the brick pavers on the rubber membrane gland of the roof of the ground storage reservoir. Replacement of the brick pavers will enhance the quality of the storage tank and prevent damage to the membrane gland, ultimately preventing contamination to the finished water supply and ensuring that the tank remains in service. 2. Replaced the media both above and below the under drain. The replacement of the media allowed the Edison Water Treatment Plant to restore its water production to its design capacity, thus increasing its efficiency. 3. Replaced two 20" butterfly valves and two 16" butterfly valves. By replacing the valves, the utility is able to isolate portions of the distribution system more effectively. 	

DWSRF Participant: Plainfield	
SRF Project #: DW09573201	DWSRF Loan Amount: \$251,400
PWS ID #: IN5232020	Principal Forgiveness: \$838,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,089,400
DWSRF Loan Closed: 9/8/09	Estimated SRF Savings: \$1,457,483
NIMS Categories: Transmission & Distribution: \$817,854 Storage: \$2,534,146	Affected Population: Before project: 15,500 After project: 15,500
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Town of Plainfield needed additional pressure and supply in the northeast part of town. The town was not able to maintain the high pressure district at high system pressure during a disruption of the nearby Carr Road booster station. In response, the town constructed a one million gallon composite elevated water tower and booster station, and installed approximately 3,100 feet of 16-inch diameter water main to connect the tank to the distribution system. The proposed water main will ensure that sufficient pressure, flow, and equalization storage is maintained throughout the system for current and 20 year future demands.

Plainfield's new water tower under construction.

**DWSRF Participant: Winslow**

SRF Project #: DW09616301

DWSRF Loan Amount: \$0

PWS ID #: IN5263006

Principal Forgiveness: \$66,412

Repayment Period: 4 yrs

Total Loan and Principle Forgiveness: \$66,412

DWSRF Loan Closed: 9/15/09

Estimated SRF Savings: \$111,146

NIMS Categories:

Source: \$66,412

Affected Population:

Before project: 881

After project: 881

This Project:

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

Project Description:

The Town of Winslow operates a surface water treatment plant constructed in the 1960s. In 2009, Winslow entered into an agreed order with the Indiana Department of Environmental Management to resolve Maximum Contaminant Level violations for Haloacetic acids (HAA5) and Total Organic Carbon (TOC). These high levels of disinfection byproducts were the result of the large amounts of chlorine disinfectant used to treat the raw water and reduce the suspended solids. The existing intake structure had met its end of useful life and needed to be replaced. In response, Winslow constructed a new 1,000 gallon per minute bank infiltration raw water intake structure. The new intake consisted of a 12-inch diameter perforated plastic pipe that is encased in sand, geo-textile filter fabric, and stone for proper filtering. The existing raw water intake structure was upgraded to facilitate a piping interface between the new structure and the existing structure to allow the use the existing intake piping on an emergency basis. The new intake will reduce TOC and not require as much disinfectant, which will reduce the chance for TOC and HAA5 violations.

DWSRF Participant: Lowell

SRF Project #: DW09334501

DWSRF Loan Amount: \$0

PWS ID #: IN5245029

Principal Forgiveness: \$280,000

Repayment Period: 4yrs

Total Loan and Principle Forgiveness: \$280,000

DWSRF Loan Closed: 9/15/09

Estimated SRF Savings: \$468,604

NIMS Categories:

Transmission & Distribution: \$280,000

Affected Population:

Before project: 7,705

After project: 7,705

<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>
<p>Project Description: The Town of Lowell's water distribution system utilized an obsolete water metering system, requiring each meter to be manually read and recorded by utility employees. The system was inefficient, time consuming, and often inaccurate. These characteristics contributed to a loss of utility revenue and imprecise measurements of system demand. In response, the town replaced the current meters with approximately 3,200 automatic meter readers and a companion computer programming system. This new system will automatically update water usage data, maintain meter reading records, generate customer usage records, and provide necessary system information to water utility management. This project is for the purchase of the water meters and computer support system. The actual replacement of the water meters was performed by Lowell utility personnel.</p>

DWSRF Participant: Hammond	
SRF Project #: DW09664502	DWSRF Loan Amount: \$0
PWS ID #: IN5245020	Principal Forgiveness: \$1,072,682
Repayment Period: 1 yr	Total Loan and Principle Forgiveness: \$1,072,682
DWSRF Loan Closed: 9/17/09	Estimated SRF Savings: \$1,795,226
NIMS Categories: Treatment: \$1,072,682	Affected Population: Before project: 78,292 After project: 78,292
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	

<p>Project Description: The City of Hammond's water filtration plant was constructed in 1935 and expanded in 1956. The roof leaked during rain events. The windows were deteriorated and were no longer thermally efficient. The exterior brick masonry required tuck pointing. The city rejected the "No Action" alternative, since the building would continue to deteriorate. The option of plant replacement was rejected due to cost and site space limitations. Instead the city opted to restore the roof, windows, and exterior brick mortar. These improvements will allow the continued operation of the water treatment plant in a more efficient manner.</p>	
	<p><i>LEFT: Hammond's WTP exterior in need of tuck pointing work. ABOVE: Hammond's nearly completed WTP exterior.</i></p>

DWSRF Participant: North Dearborn Water Corporation	
SRF Project #: DW09551501	DWSRF Loan Amount: \$804,000
PWS ID #: IN5215008	Principal Forgiveness: \$536,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,340,000

DWSRF Loan Closed: 10/15/09	Estimated SRF Savings: \$1,180,674
NIMS Categories: Transmission & Distribution: \$411,094 Storage: \$928,906	Affected Population: Before project: 5,203 After project: 5,203
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<p>Project Description: The North Dearborn Water Corporation's southern half of its distribution system was supplied by undersized water mains which were not providing enough flow, resulting in low pressure problems. Furthermore, under the worst conditions, peak water use in the summer months prevented an existing 75,000 gallon elevated water storage tank from filling. This tank was the only water storage tank in the southern half of the distribution system and it did not have adequate capacity during peak water use conditions. A second area of concern was an existing water main bisecting interstate I-74; it was an insulated 6 inch pipe suspended from the underside of the bridge over the road. This important transmission main, which supplied the southern half of the distribution system, was at risk for freezing along with accidental or purposeful damage. In response, the utility installed a new 500,000 gallon elevated storage tank and approximately 23,000 feet of 8 inch main to provide additional flow and pressure to the southern half of the distribution system. The utility also installed approximately 1,200 feet of 8 inch water main, a special bore and casing, under I-74 to ensure continued reliable water service.</p>	
<i>North Dearborn's water tower going up.</i>	

DWSRF Participant: Goshen	
SRF Project #: DW09032001	DWSRF Loan Amount: \$506,000
PWS ID #: IN5220009	Principal Forgiveness: \$1,181,000
Repayment Period: 13 yrs	Total Loan and Principle Forgiveness: \$1,687,000
DWSRF Loan Closed: 10/15/09	Estimated SRF Savings: \$1,226,885
NIMS Categories: Treatment: \$42,389 Transmission & Distribution: \$1,644,611	Affected Population: Before project: 31,500 After project: 31,500
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<p>Project Description: The controls for Goshen's water treatment and distribution system were a non-programmable automated control system placed in operation in 1990. This system had reached obsolescence; parts were difficult and expensive to obtain. The system was incapable of expansion and could perform the more complicated control sequences desired by the city. In response, Goshen has installed a Supervisory Control and Data Acquisition (SCADA) system which included five Programmable Logic Controllers located at strategic locations throughout the water distribution system, all tied into the overall city-wide network via radio telemetry as well as the city's fiber loop. Due to the new SCADA system, minor changes to the backwash system were also necessary.</p>	

DWSRF Participant: Fortville	
SRF Project #: DW09013001	DWSRF Loan Amount: \$2,025,000
PWS ID #: IN5230003	Principal Forgiveness: \$675,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$2,700,000
DWSRF Loan Closed: 10/15/09	Estimated SRF Savings: \$1,717,830
NIMS Categories: Transmission & Distribution: \$1,259,264 Storage: \$1,440,736	Affected Population: Before project: 4,585 After project: 4,585
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Fortville had problems with low pressure and low flows in parts of its distribution system. In addition, the town lacked sufficient water storage capacity. Its total water storage capacity was 300,000 gallons; the town's current average daily demand was 430,000 gallons per day. Furthermore, the existing 300,000 gallon elevated storage tank needed to be repainted. In response, the town replaced about 16,000 feet of water main, constructed a new 500,000 gallon elevated storage tank, and recoated the existing 300,000 elevated storage tank. These improvements will allow the town to continue to provide a reliable and safe water supply.	

DWSRF Participant: Anderson	
SRF Project #: DW09374801	DWSRF Loan Amount: \$0
PWS ID #: IN5248002	Principal Forgiveness: \$1,373,200
Repayment Period: 1 yr	Total Loan and Principle Forgiveness: \$1,373,200
DWSRF Loan Closed: 10/15/09	Estimated SRF Savings: \$2,298,169
NIMS Categories: Storage: \$1,373,200	Affected Population: Before project: 58,000 After project: 58,000
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Anderson needed to improve water storage capacity and pressure in the southwest portion of the distribution system. To meet these needs, Anderson constructed a 2.0 million gallon elevated water storage and booster station. This project will enable Anderson to continue providing reliable water supply and adequate pressure in the affected areas.	
<div data-bbox="548 1745 1109 1797" data-label="Caption"> <p><i>Anderson's new water tower under construction.</i></p> </div>	
	

DWSRF Participant: Charlestown (Planning & Design)	
SRF Project #: DW10021001	DWSRF Loan Amount: \$0
PWS ID #: IN5210003	Principal Forgiveness: \$131,062
Repayment Period: 1 yr	Total Loan and Principle Forgiveness: \$131,062
DWSRF Loan Closed: 10/15/09	Estimated SRF Savings: \$219,344
NIMS Categories: Planning and Design: \$131,062	Affected Population: Before project: 6,800 After project: 6,800
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Indiana Department of Natural Resources, which owns the Charlestown State Park, had a deteriorated water system. The City of Charlestown provided assistance with planning and design needs including hydrological studies, preliminary engineering, and financial and legal planning.	

DWSRF Participant: East Chicago	
SRF Project #: DW19911003	DWSRF Loan Amount: \$27,200,000
PWS ID #: IN5245012	Principal Forgiveness: \$3,000,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$30,200,000
DWSRF Loan Closed: 11/12/2009	Estimated SRF Savings: \$14,616,270
NIMS Categories: Treatment: \$28,026,799 Storage: \$2,173,201	Affected Population: Before project: 33,001 After project: 33,001
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The City of East Chicago's water system was in need of significant improvements. The Lake Michigan raw water intake and pump station were constructed in 1929 and last upgraded in 1964, when the water treatment plant was constructed. The original design capacity of the plant was 24 million gallons per day (MGD), but had decreased to approximately 16 MGD of treated water during the summer and 13 MGD during the winter due to age and operational efficiency. The city had made only minor upgrades to the water treatment plant. As the building and major treatment components deteriorated, the city was concerned about compliance with existing and future Safe Drinking Water Act regulations. In addition, they city had no storage; water was supplied on demand which was unreliable at times. In response, East Chicago constructed: <ol style="list-style-type: none"> 1. New 20 MGD pressure membrane water filtration plant; 2. New 33 MGD raw water pump station; 3. New 54-inch raw water transmission main; 4. New flocculation units and residuals settling tanks; 5. 4 MG pre-stressed concrete ground storage tank; 6. 30 MGD high service pumping station; 7. Administrative facilities; 8. Lab facilities; 	

9. Emergency generator;
10. SCADA system;
11. Site fencing and various security improvements;
12. Sodium hypochlorite disinfection; and
13. Chemical feed and storage.

The new facility continues to use the existing raw water intakes. The city used micro-tunneling to extend the new 54-inch raw water line from the existing treatment plant raw water pump station to a new raw water pump station at the new treatment plant. A ground storage tank was constructed to hold treated water. Residual flows are sent to two concrete tanks and coagulant is added to enhance settling; the flows are treated using inclined plate settlers, and the settled solids are discharged to the sanitary sewer system; the clarified supernatant is recycled to the head of the plant. These improvements allow East Chicago to maintain compliance with regulations and provide safe water to its residents.

DWSRF Participant: LaFontaine

SRF Project #: DW08098501	DWSRF Loan Amount: \$650,000
PWS ID #: IN5285004	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$650,000
DWSRF Loan Closed: 11/4/09	Estimated SRF Savings: \$229,304
NIMS Categories: Transmission & Distribution: \$253,586 Storage: \$396,414	Affected Population: Before project: 906 After project: 906

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

Project Description:

LaFontaine's water distribution system included lines installed in the early 1900's. Lines were old, undersized and subject to breaks, resulting in flow and pressure problems. Water loss was nearly 37 percent. In addition, the existing 75,000 gallon water storage tower was purchased used and installed in 1964. It had structural problems and was undersized. In response, the utility replaced 7,500 feet of 2-inch and 4-inch waterline with 6-inch waterline and constructed a new 150,000 gallon elevated storage tank. The project will allow LaFontaine to provide adequate flow and pressure in its distribution lines and storage capacity to its residents.

LaFontaine's new water tower.



DWSRF Participant: Indiana American Water Company – Farmersburg

SRF Project #: DW09237703	DWSRF Loan Amount: \$88,408
PWS ID #: IN5277003	Principal Forgiveness: \$180,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$268,408
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$337,807

NIMS Categories: Transmission & Distribution: \$268,408	Affected Population: Before project: 1,998 After project: 1,998
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Indiana American Water Company Farmersburg District had water distribution needs. West Heap Street: The existing cast iron pipe has been in service since the 1950s. Corrosion and deterioration had resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete 6-inch diameter pipe with 1,520 LF of 6-inch and 4-inch diameter pipe to improve flow and pressure in the area. North 4 th Street: The existing 4-inch cast iron pipe has been in service since the 1950s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete 4-inch diameter pipe with 1,000 LF of 8-inch, 6-inch and 4-inch diameter pipe to improve flow and pressure in the area.	

DWSRF Participant: Indiana American Water Company – Garden City	
SRF Project #: DW09958901	DWSRF Loan Amount: \$0
PWS ID #: IN5289016	Principal Forgiveness: \$643,746
Repayment Period: 1 yr	Total Loan and Principle Forgiveness: \$643,746
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$1,077,365
NIMS Categories: Transmission & Distribution: \$643,746	Affected Population: Before project: 80 After project: 80
This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.	
Project Description: The groundwater wells that served the mobile home community of Garden City had arsenic levels in excess of the 10 parts per billion (ppb) Maximum Contaminant Level, at times as much as 73 ppb. In response, the Indiana American Water Company extended 10,010 linear feet of 8 –inch diameter water main from the Richmond District to the community and replaced the existing deteriorated lines within the community, thereby eliminating the resident’s reliance on the contaminated wells. New meters and pits were also installed within the community.	

DWSRF Participant: Indiana American Water Company – Northwest (Gary)	
SRF Project #: DW09224504	DWSRF Loan Amount: \$116,600
PWS ID #: IN5245015	Principal Forgiveness: \$180,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$296,600
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$349,466
NIMS Categories: Transmission & Distribution: \$296,600	Affected Population: Before project: 173,431 After project: 173,431

<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>
<p>Project Description: The Indiana American Water Company Northwest (Gary) District had water distribution needs.</p> <p>Adams Street: The existing 6-inch steel pipe has been in service since the 1920s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete water main with 1,760 LF of 8-inch and 6-inch diameter ductile iron main to improve flow and pressure in the area.</p>

DWSRF Participant: Indiana American Water Company - Kokomo

SRF Project #: DW09273408	DWSRF Loan Amount: \$91,738
PWS ID #: IN5234007	Principal Forgiveness: \$180,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$271,738
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$339,184
<p>NIMS Categories: Transmission & Distribution: \$271,738</p>	<p>Affected Population: Before project: 57,240 After project: 57,240</p>

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

Project Description:
The Indiana American Water Company Kokomo District had water distribution needs.

West North Street: The existing 2-inch cast iron pipe has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with 350 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.

Redwood Court: The existing 2-inch cast iron pipe has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with 340 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.

South Union Street: The existing 2-inch cast iron pipe has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with 560 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.



Pouring concrete for main replacements on Redwood Court in Kokomo.

DWSRF Participant: Indiana American Water Company - Muncie	
SRF Project #: DW09241805	DWSRF Loan Amount: \$217,193
PWS ID #: IN5218012	Principal Forgiveness: \$180,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$397,193
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$391,067
NIMS Categories: Transmission & Distribution: \$397,193	Affected Population: Before project: 74,950 After project: 74,950
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Indiana American Water Company Muncie District had water distribution needs.</p> <p>North Street: The existing 2-inch galvanized steel pipe has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with approximately 980 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.</p> <p>University Avenue: The existing 6-inch cast iron pipe has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with approximately 1,140 LF of 6-inch and 12-inch pipe to improve flow and pressure in the area.</p>	

DWSRF Participant: Indiana American Water Company – Terre Haute	
SRF Project #: DW09268407	DWSRF Loan Amount: \$198,620
PWS ID #: IN5284012	Principal Forgiveness: \$180,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$378,620
DWSRF Loan Closed: 12/14/09	Estimated SRF Savings: \$383,386
NIMS Categories: Transmission & Distribution: \$378,620	Affected Population: Before project: 64,873 After project: 64,873
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Indiana American Water Company Terre Haute District had water distribution needs.</p> <p>Ash Street: The existing 2-inch cast iron water main has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with approximately 1,400 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.</p> <p>4th Avenue: The existing 2-inch cast iron water main has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in</p>	

the area. In response, the utility replaced the obsolete pipe with approximately 1,400 LF of 8-inch and 6-inch pipe to improve flow and pressure in the area.

Highland Road: The existing 2-inch cast iron pipe has been in service since the 1960s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with approximately 520 LF of 8-inch and 6-inch pipe to improve flow and pressure in the area.

DWSRF Participant: Indiana American Water Company - Richmond

SRF Project #: DW09258906

DWSRF Loan Amount: \$287,523

PWS ID #: IN5289012

Principal Forgiveness: \$180,000

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$467,523

DWSRF Loan Closed: 12/14/09

Estimated SRF Savings: \$420,153

NIMS Categories:

Transmission & Distribution: \$467,523

Affected Population:

Before project: 42,454

After project: 42,454

This Project:

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

Project Description:

The Indiana American Water Company Richmond District had water distribution needs.

South 14th Street: The existing 2-inch diameter PVC water main has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete pipe with approximately 580 LF of 6-inch pipe to improve flow and pressure in the area.

North A Street: The existing cast iron water main has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete water main with approximately 1,320 LF of 12-inch and 6-inch pipe to improve flow and pressure in the area.

Southwest 15th Street: The existing cast iron water main has been in service since the 1940s. Corrosion and deterioration have resulted in numerous breaks and leaks in recent years. This has in turn reduced flow and pressure for customers in the area. In response, the utility replaced the obsolete 6-inch water main with approximately 1,387 LF of 8-inch and 6-inch diameter pipe to improve flow and pressure in the area.

Valve and pipe as part of Muncie's Southwest 15th Street project.



DWSRF Participant: Gas City	
SRF Project #: DW09022702	DWSRF Loan Amount: \$3,995,000
PWS ID #: IN5227006	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$3,995,000
DWSRF Loan Closed: 12/17/09	Estimated SRF Savings: \$1,531,529
NIMS Categories: Treatment: \$2,659,725 Transmission & Distribution: \$976,092 Source: \$359,183	Affected Population: Before project: 6,500 After project: 6,500
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<p>Project Description:</p> <p>Gas City operated two water treatment plants, the West plant and the East plant, each with its own wells and storage tank. The systems operated in two zones with elevation differences and a pressure valve separating the zones. The West plant was upgraded in 2001 and was in good condition; The East plant was built in the 1960s and had operational, water quality, and capacity issues. First, it was undersized. It had to run 16-20 hours per day to meet demand. When the East plant was offline the West plant ran 16 hours a day to be able to provide water for the entire city. Due to elevation differences and increased demand, the option of the West plant serving the entire area was not feasible. Additional capacity was needed. Furthermore, the East plant's filters and softeners were corroded and required frequent maintenance to maintain. The filters had lost filtering efficiency; treated water iron levels were around 5 mg/l. In addition, the wells at the East plant were 40 years old and, despite routine maintenance, had reached end of useful life. Lastly the town wished to upgrade its water meters with radio read meters to improve operational efficiency. In response, the town installed:</p> <ul style="list-style-type: none"> • A new three million gallon per day conventional water treatment plant with vertical pressure filters and vertical water softeners in a block building; • Two new wells with new well pumps; • Replacement of two existing well pumps with new well pumps; • Three new variable frequency drive high service pumps; • Backwash holding tank with pumps to recycle backwash water; • A SCADA telemetry system; • A emergency generator; and • Replacement of 2,600 water meters with radio read meters and computer system. <p>These improvements will allow Gas City to provide an adequate water supply with improved water quality. The new filters are expected to produce treated water with iron levels less than 1 mg/l.</p>	
	 <p style="text-align: center;"><i>Vertical pressure filters at Gas City's new water treatment plant.</i></p>

DWSRF Participant: Mitchell	
SRF Project #: DW09064701	DWSRF Loan Amount: \$290,000
PWS ID #: IN5247003	Principal Forgiveness: \$348,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$638,000
DWSRF Loan Closed: 12/22/09	Estimated SRF Savings: \$710,982

NIMS Categories: Source: \$638,000	Affected Population: Before project: 4,567 After project: 4,567
This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.	
<p>Project Description:</p> <p>The City of Mitchell's surface water treatment plant was under an Agreed Order with the Indiana Department of Environmental Management as a result of not meeting water quality standards for Haloacetic Acids (HAA5) and Total Trihalomethanes (TTHM). HAA5 and TTHM are disinfection by-products that are created when chlorine reacts with organic material, which tends to be high in surface water. The existing surface water treatment facility exceeded the Maximum Contaminant Level (MCL) for HAA5 in all four quarters of 2006 and exceeded the MCL for TTHM in all four quarters of 2006 and the first three quarters of 2007. In response, the utility:</p> <ul style="list-style-type: none"> o Constructed four 400-gallon per minute groundwater wells; o Installed 700 feet of 16-inch diameter raw water main river crossing; o Installed 3,400 feet of 12-inch diameter water main; and o Installed electrical service at the new well field. <p>The new ground water wells will reduce the amount of chlorine needed for treatment which will reduce the likelihood of MCLs for HHA5 and TTHM, thereby allowing the utility to return to compliance.</p>	
<p><i>Located in a floodplain, Mitchell's new well is elevated to protect from flooding.</i></p>	

DWSRF Participant: Whitestown	
SRF Project #: DW05160603	DWSRF Loan Amount: \$1,400,000
PWS ID #: IN5206006	Principal Forgiveness: \$1,400,000
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$2,800,000
DWSRF Loan Closed: 1/12/10	Estimated SRF Savings: \$2,879,727
NIMS Categories: Transmission & Distribution: \$2,800,000	Affected Population: Before project: 2,200 After project: 2,200
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<p>Project Description:</p> <p>The Whitestown water distribution system is divided into two pressure zones: the north system is served by the Whitestown water treatment plant (WTP), and the south system is served by the Indianapolis Water Company (IWC). The water treatment plant was constructed in 2002, but unexpected development in the area left the WTP undersized. In addition, the town is under an Agreed Order with the Indiana Department of Environmental Management (IDEM) due to water quality violations at the WTP. Some mains in the distribution system were installed in the 1950's and have reached the end of their useful life. In addition, both the north and south systems have several dead ends. Due to the dead end portions, the town experiences water quality issues and more main breaks during the winter months.</p> <p>In response, Whitestown connected the north and south distribution systems, connected both systems to the IWC, and abandoned the WTP. A new purchase agreement provides that the IWC will supply Whitestown up to four million</p>	

gallons per day at a pressure of at least 35 pounds per square inch at the meter point. The north and south distribution systems connected at two locations. With these water main extensions, the Whitestown distribution system is looped and all customers are receiving water from the Indianapolis Water Company.

DWSRF Participant: Charlestown State Park (Indiana Recreation Development Commission)

SRF Project #: DW10091001	DWSRF Loan Amount: \$0
PWS ID #: IN5210018	Principal Forgiveness: \$6,330,000
Repayment Period: 3 yrs	Total Loan and Principle Forgiveness: \$6,330,000
DWSRF Loan Closed: 1/20/2010	Estimated SRF Savings: \$10,593,803
NIMS Categories: Treatment: \$3,186,242 Transmission & Distribution: \$1,233,227 Source: \$665,166 Storage: \$1,245,365	Affected Population: Before project: 124 After project: 124

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

Project Description:
The Indiana Department of Natural Resources (IDNR) Charlestown State Park public water system consisted of two wells, water transmission and distribution lines, and elevated water storage tanks. The public water system was constructed by the U.S. Government in the 1930s and 1940s to serve the Indiana Army and Ammunition Plant (INAAP). When the INAAP was decommissioned in 1968, the U.S. Government transferred approximately 5,100 acres and ownership of the public water system to the IDNR, who in turn later created the Charlestown State Park in 1996. While there has been some maintenance and repair of the facilities since their construction, there had been no major improvements to the waterworks system in over forty years. The facilities had deteriorated. In addition, there were multiple customer complaints due to high iron and manganese levels in the water. In response, the IDNR installed a new two million gallon per day (MGD) iron and manganese removal water filtration plant, three new 700 gallons per minute (GPM) tubular ground water wells, approximately 18,000 feet of 20-inch diameter water main, a 3,000 gallon per minute (gpm) booster station and 750,000 ground water storage tank. These improvements will allow the public water system to meet current and future drinking water standards.



Charlestown State Park's new ground storage tank.

DWSRF Participant: Princeton

SRF Project #: DW09582601	DWSRF Loan Amount: \$2,886,000
PWS ID #: IN5226008	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$2,886,000
DWSRF Loan Closed: 3/30/10	Estimated SRF Savings: \$1,185,254

NIMS Categories: Treatment: \$1,708,517 Storage: \$1,157,483	Affected Population: Before project: 12,150 After project: 12,150
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<p>Project Description: Princeton had several water system needs, including the undersized capacity of the water treatment plant and the deteriorated condition of several treatment plant components. The plant was operating between 18-24 hours per day to meet demand and aerators, chlorine and fluoride equipment, high service pumps, and backwash return pumps were becoming increasingly ineffective and antiqued given the 25 year life of the facility. In addition, the utility needed additional storage. Effective storage volume was ~1.7 million gallons; Average daily use was ~1.3 million gallons per day with peak usage of between 1.7-1.9 million gallons per day. Lastly, an existing 400,000 gallon elevated storage tank constructed in 1929 has reached end of useful life. In response, the utility installed:</p> <ul style="list-style-type: none"> o A new 500,000 gallon finished water ground storage tank with four new high service pumps; o An expanded clearwell with a new third aerator and replacement of the two existing aerators; o Four new treatment pumps to replace the existing high service pumps and controls; o New chlorination and fluoridation systems and piping; o New backwash sedimentation and storage basin with HDPE liner; o Building modifications to allow for future expansion of the water treatment facility. (Construction of a new treatment plant was not financially feasible); o A new 500,000 gallon elevated tank and approximately 5,000 feet of 16" diameter water main in the southwest industrial corridor. <p>The improvements reduced the operational stress on the water treatment plant and allowed the facility to continue providing safe, clean drinking water. The new elevated storage tank enabled the city to have adequate storage capacity.</p>	

DWSRF Participant: North Vernon	
SRF Project #: DW09564001	DWSRF Loan Amount: \$1,196,000
PWS ID #: IN5240008	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,196,000
DWSRF Loan Closed: 4/28/10	Estimated SRF Savings: \$442,462
NIMS Categories: Treatment: \$1,196,000	Affected Population: Before project: 6,500 After project: 6,500
This Project: Assists a non-compliant system to return to compliance with the Safe Drinking Water Act.	
<p>Project Description: In 2008, the City of North Vernon entered into an Agreed Order with the Indiana Department of Environmental Management (IDEM) for violations related to disinfection by-products. The city has adopted a compliance plan and made changes which include the addition of permanganate. However, the utility also needed to re-configure its treatment train to allow the clarifiers to operate in parallel; the current design is obsolete. In addition, the clarifier is over 70 years old and structurally deteriorated. It has reached the end of useful life and needs to be replaced.</p> <p>In response, the utility constructed a new 70 foot diameter clarifier, added a pre-treatment tank, and made changes to chemical addition and piping. Parallel flow resulted in a reduced flow rate which should cause in improvement in settling and a decreased usage of disinfection. These improvements should reduce the likelihood of disinfection by-products exceedances and return the system to compliance.</p>	

DWSRF Participant: Dunkirk	
SRF Project #: DW08083802	DWSRF Loan Amount: \$1,517,000
PWS ID #: IN5238001	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$1,517,000
DWSRF Loan Closed: 5/19/10	Estimated SRF Savings: \$410,289
NIMS Categories: Treatment: \$936,005 Transmission & Distribution: \$580,995	Affected Population: Before project: 2,646 After project: 2,646
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The Dunkirk water utility had water treatment and distribution needs. First, the water treatment plant suffered from operational problems that resulted in water quality issues and frequent customer complaints. Treated water sometimes had iron levels six times greater than the Secondary Standard for iron. In addition, the distribution system had sections that were old, undersized, and subject to breaks. In response, the utility: <ul style="list-style-type: none"> • Replaced approximately 1,250 feet of 6-inch water main; • Replaced approximately 3,435 feet of 8-inch water main; • Replaced approximately 175 feet of 10-inch water main; • Replaced approximately 150 feet of 12-inch water main; • Installed a new 50 kilowatt portable electrical generator and a new 160 kilowatt diesel generator; • Constructed a new 600 gallon per minute conventional treatment facility including: two aerators, two horizontal pressure filters, three high service pumps with variable frequency drives, concrete aeration/detention basin, and concrete backwash storage basin with pumps and controls. The water treatment plant improvements will improve water quality; treated water will meet the Secondary Standard for iron. The water main improvement projects will provide improved water quality, pressure and flow.	

DWSRF Participant: Chandler	
SRF Project #: DW06128701	DWSRF Loan Amount: \$3,220,000
PWS ID #: IN5287002	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$3,220,000
DWSRF Loan Closed: 5/26/10	Estimated SRF Savings: \$870,884
NIMS Categories: Treatment: \$3,220,000	Affected Population: Before project: 14,500 After project: 14,500
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	

Project Description:

The Town of Chandler was adding many new customers which were starting to place water demands on the system that the utility could not meet. In addition, the water treatment plant suffered from unreliability and operational inefficiencies due to its three distinct treatment trains. Piping from the wells did not allow for water to flow from any well to any treatment train, nor did the control system have the functionality to direct the wells through the operation of the treatment trains. Additionally, the chemical feed systems were manually controlled, which occasionally created water quality issues when switching between the different wells.

In response, the utility constructed a new 1,200 gpm well and 4.32 MGD water treatment plant. In addition, the project included raw water piping, SCADA and electrical improvements. This project allowed the town to provide a reliable and consistently high-quality water supply to its residents.

DWSRF Participant: Centerville

SRF Project #: DW09438902

DWSRF Loan Amount: \$400,000

PWS ID #: IN5289003

Principal Forgiveness: \$0

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$400,000

DWSRF Loan Closed: 5/26/10

Estimated SRF Savings: \$132,634

NIMS Categories:

Treatment: \$400,000

Affected Population:

Before project: 3,351

After project: 3,351

This Project:

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

Project Description:

Centerville's existing water treatment plant was constructed in 1964 and many of the original components had met the end of useful life. The filters were over 40 years old, had been repaired numerous times to fix leaks caused by corrosion and did not have automated controls. A concrete detention tank had been repaired many times and finally needed to be replaced. During high demand conditions, it was necessary to run both high service pumps, which resulted in a situation without back-up pumps. Lastly, backwash water was being sent to a backwash lagoon which required the utility to maintain a NPDES permit and discharge effluent to Center Run Creek.

In response, the town replaced filters, detention tank, and upgraded high service pumps. The town also installed a back wash pump and force main connecting to the sanitary sewer. These improvements allowed the utility to maintain high quality treated drinking water, have back up pumping capabilities, do away with its NPDES permit and reduce pollutant loading of the stream.

DWSRF Participant: Cedar Lake

SRF Project #: DW 10134502

DWSRF Loan Amount: \$1,700,000

PWS ID #: IN5245047

Principal Forgiveness: \$0

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$1,700,000

DWSRF Loan Closed: 5/27/10

Estimated SRF Savings: \$459,784

NIMS Categories:

Purchase of System: \$1,700,000

Affected Population:

Before project: 1,923

After project: 1,923

<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>
<p>Project Description: In order to maintain financial stability, the Town of Cedar Lake completed the purchase of Utilities, Inc., a private water utility. Cedar Lake refinanced a Bond Anticipation Note that the town used to temporarily finance the purchase of Utilities Inc. last year. This utility acquisition will ensure that the water supplier has the financial capability to provide water service to its customers.</p>

DWSRF Participant: Brazil	
SRF Project #: DW09121101	DWSRF Loan Amount: \$4,670,000
PWS ID #: IN5211001	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$4,670,000
DWSRF Loan Closed: 6/21/10	Estimated SRF Savings: \$1,263,053
<p>NIMS Categories: Transmission & Distribution: \$1,395,998 Source: \$169,909 Storage: \$3,104,093</p>	<p>Affected Population: Before project: 8,000 After project: 8,000</p>
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The City of Brazil had many drinking water utility needs. The existing wells were old and experienced decreased production despite maintenance. The telemetry control system was out of date and at times inaccurate. Many of the mains in the distribution system were undersized and at the end of their useful life, as evident by frequent leaks and several areas of inadequate flow and pressure. Lastly, the existing 750,000 gallon storage tank was old, deteriorated and required major repairs.</p> <p>In response, the utility installed a new 700 gpm well, SCADA system, upsized mains and installed a new 250,000 gallon storage tank and booster station (in one of the low pressure areas), and replaced the 750,000 gallon storage tank. These improvements will allow the utility to have adequate supply, flow, pressure, storage and continue to provide reliable drinking water to its customers.</p>	

DWSRF Participant: Cataract Lake Water Corporation	
SRF Project #: DW 09426701	DWSRF Loan Amount: \$900,000
PWS ID #: IN5260002	Principal Forgiveness: \$0
Repayment Period: 20 yrs	Total Loan and Principle Forgiveness: \$900,000
DWSRF Loan Closed: 6/30/10	Estimated SRF Savings: \$325,404
<p>NIMS Categories: Source: \$171,429 Storage: \$728,571</p>	<p>Affected Population: Before project: 3,100 After project: 3,100</p>
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	

Project Description:

The Cataract Lake Water Corporation had a 50,000 gallon water storage tank that had reached end of useful life; it was built in 1938, and was in poor condition and under-sized. The utility also needed additional supply; it was running its two existing wells 24 hours a day to keep up with demand. In response, the utility installed a 150,000 gallon elevated water storage tank, installed a new well #3 with a 600 gallon per minute vertical turbine pump and well house, and rehabbed existing well #2 with a new 400 gallon per minute vertical turbine pump, motor and electrical components. These improvements will allow the utility to have adequate storage and supply and a back-up well.

Exhibit G
Cumulative History of Federal DWSRF Capitalization Grants

\$ 25,371,806	FFY 1997 Federal Capitalization Grant
\$ 8,687,500	FFY 1998 Federal Capitalization Grant
\$ 9,105,300	FFY 1999 Federal Capitalization Grant
\$ 8,989,850	FFY 2000 Federal Capitalization Grant
\$ 9,159,460	FFY 2001 Federal Capitalization Grant
\$ 8,955,100	FFY 2002 Federal Capitalization Grant
\$ 9,398,200	FFY 2003 Federal Capitalization Grant
\$ 9,749,300	FFY 2004 Federal Capitalization Grant
\$ 11,201,850	FFY 2005 Federal Capitalization Grant
\$ 12,166,734	FFY 2006 Federal Capitalization Grant
\$ 11,484,000	FFY 2007 Federal Capitalization Grant
\$ 11,367,000	FFY 2008 Federal Capitalization Grant
\$ 11,367,000	FFY 2009 Federal Capitalization Grant
\$ 22,638,000	FFY 2010 Federal Capitalization Grant
\$ 169,641,100	TOTAL

Exhibit H
Cumulative History of the State Match

The State deposited \$7 million of State Match in the DWSRF Loan Program in SFY 2010. To date, the DWSRF State Match has aggregated in excess of 20 percent of the awarded \$169,641,100 capitalization grants through June 30, 2010, which results from the following cumulative history of State Matches made to the DWSRF Loan Program:

\$6,860,000	State Revolving Fund Program Bond, Subordinate Series 1, net proceeds representing a State Match (September 1999)*
5,640,000	State Revolving Fund Program Bond, Subordinate Series 2, net proceeds representing a State Match (December 2001)*
3,823,000	Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001 & July 2002)
1,949,860	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2004)
2,000,000	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (February 2005)
2,100,000	Series 2006A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2006)
2,493,109	Series 2006B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2006)
2,400,000	Series 2007B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2007)
7,000,000	Series 2009A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2009)
\$34,265,969	TOTAL

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

As a result of the foregoing, the State has deposited State Match in excess of that required based on grants awarded as of the end of SFY 2010 by \$337,749 (also known as over-match), which are banked toward future capitalization grants that are expected to be awarded in SFY 2011. This over-match is intended to permit, and will allow, the State to immediately convert a portion of its next capitalization grant (expected to be awarded in FFY 2011) to cash (and deposit it in the DWSRF) based upon incurred costs during SFY 2010, and banked as a result of their not having yet been used to convert any capitalization grant to cash.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF’s State Match; (2) DWSRF’s leveraged loans; (3) WWSRF’s State Match; and (4) WWSRF’s leveraged loans. These bonds are repaid semi-annually and at the time of each payment the Authority tracks, allocates and records their payment *first* between WWSRF and DWSRF purposes (with the percentage paid from DWSRF being equal to the proportion of the net bond proceeds originally deposited in DWSRF from those bonds as compared to their total net bond proceeds) and *second* between State Match and leveraged loans purposes (with the payment allocated as a State Match repayment computed and tracked to be no more than the amount of the total DWSRF earnings applied on each payment date toward that bond payment). Set forth in the attached Exhibit H-1 is the principal amount of the State Revolving Fund Program Bonds allocated to State Match purposes for the DWSRF and the principal amount repaid as of the end SFY 2010.

The Authority annually designates whether principal maturities of the State Revolving Fund Program

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

Exhibit H-1

<u>DRINKING WATER</u>								
	Original Par Amount of							Remaining Par Amount of
Revenue	Bonds Designated	Par Amount retired during SFY Ending June 30						Bonds Designated
<u>Bonds</u>	<u>as State Match</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>All Prior SFYs</u>	<u>as State Match</u>
2001A	\$15,680,000	2,433,832	1,936,480	1,708,775	1,431,137	1,189,396	662,138	\$ 6,318,242
2004B	3,625,835	650,271	619,383	590,121	567,361	545,414	586,986	66,299
2006A	1,988,671	-	618,671	915,000	455,000	-	-	-
2006B	2,359,076	-	1,054,076	1,305,000	-	-	-	-
2007B	2,087,648	800,000	-	-	-	-	-	1,287,648
2009A	6,610,905	-	-	-	-	-	-	6,610,905
Total	\$32,352,135	\$3,884,103	\$4,228,610	\$4,518,896	\$2,453,498	\$1,734,810	\$1,249,124	\$ 14,283,094

Exhibit I - Summary of DWSRF Loan Program Loans Closed in SFY 2010

Participant	Closing Date	SRF Loan Amount	ARRA Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF P & I *	SRF Savings
Marion	17-Jul-09	\$0	\$220,000	\$220,000	5.50%	\$368,189	0.00%	\$0	\$368,189
Union City	20-Jul-09	\$279,000	\$186,000	\$465,000	5.50%	\$778,218	3.37%	\$388,011	\$390,207
Elwood	24-Jul-09	\$1,380,000	\$920,000	\$2,300,000	5.50%	\$3,849,249	3.37%	\$1,919,193	\$1,930,056
Rising Sun	6-Aug-09	\$0	\$82,500	\$82,500	5.50%	\$138,071	0.00%	\$0	\$138,071
South Bend	1-Sep-09	\$429,000	\$286,000	\$715,000	5.50%	\$1,196,614	3.37%	\$596,619	\$599,996
Plainfield	8-Sep-09	\$2,514,000	\$838,000	\$3,352,000	5.50%	\$5,609,862	3.87%	\$3,657,227	\$1,952,635
Winslow	15-Sep-09	\$0	\$66,412	\$66,412	5.50%	\$111,146	0.00%	\$0	\$111,146
Lowell	15-Sep-09	\$0	\$280,000	\$280,000	5.50%	\$468,604	0.00%	\$0	\$468,604
Hammond	24-Sep-09	\$0	\$1,072,682	\$1,072,682	5.50%	\$1,795,226	0.00%	\$0	\$1,795,226
Anderson	15-Oct-09	\$0	\$1,373,200	\$1,373,200	5.50%	\$2,298,169	0.00%	\$0	\$2,298,169
North Dearborn Water Corporation	15-Oct-09	\$804,000	\$536,000	\$1,340,000	5.50%	\$2,242,606	2.81%	\$1,061,932	\$1,180,674
Goshen	15-Oct-09	\$1,181,000	\$506,000	\$1,687,000	5.50%	\$2,823,341	3.06%	\$1,596,455	\$1,226,885
Fortville	15-Oct-09	\$2,025,000	\$675,000	\$2,700,000	5.50%	\$4,518,684	3.31%	\$2,800,854	\$1,717,830
Charlestown	15-Oct-09	\$0	\$131,062	\$131,062	5.50%	\$219,344	0.00%	\$0	\$219,344
La Fontaine	4-Nov-09	\$650,000	\$0	\$650,000	5.50%	\$1,087,831	2.81%	\$858,527	\$229,304
East Chicago	12-Nov-09	\$27,200,000	\$3,000,000	\$30,200,000	5.50%	\$50,542,315	2.81%	\$35,926,045	\$14,616,270
IAW - Farmersburg	14-Dec-09	\$88,408	\$180,000	\$268,408	5.50%	\$449,204	2.31%	\$111,397	\$337,807
IAW - Gary	14-Dec-09	\$116,600	\$180,000	\$296,600	5.50%	\$496,386	2.31%	\$146,919	\$349,466
IAW - Kokomo	14-Dec-09	\$91,738	\$180,000	\$271,738	5.50%	\$454,777	2.31%	\$115,593	\$339,184
IAW - Muncie	14-Dec-09	\$217,193	\$180,000	\$397,193	5.50%	\$664,737	2.31%	\$273,670	\$391,067
IAW - Richmond	14-Dec-09	\$287,523	\$180,000	\$467,523	5.50%	\$782,440	2.31%	\$362,288	\$420,153
IAW - Terre Haute	14-Dec-09	\$198,620	\$180,000	\$378,620	5.50%	\$633,653	2.31%	\$250,267	\$383,386
IAW - Garden City	14-Dec-09	\$0	\$643,746	\$643,746	5.50%	\$1,077,365	0.00%	\$0	\$1,077,365
Gas City	17-Dec-09	\$3,995,000	\$0	\$3,995,000	5.50%	\$6,685,978	2.56%	\$5,154,449	\$1,531,529
Mitchell	22-Dec-09	\$290,000	\$348,000	\$638,000	5.50%	\$1,067,748	2.06%	\$356,766	\$710,982
Whitestown	12-Jan-10	\$1,400,000	\$1,400,000	\$2,800,000	5.50%	\$4,686,042	2.56%	\$1,806,315	\$2,879,727
Charlestown State Park	20-Jan-10	\$0	\$6,330,000	\$6,330,000	5.50%	\$10,593,803	0.00%	\$0	\$10,593,803
Princeton	30-Mar-10	\$2,866,000	\$0	\$2,866,000	5.50%	\$4,796,499	2.31%	\$3,611,246	\$1,185,254
North Vernon	28-Apr-10	\$1,196,000	\$0	\$1,196,000	5.50%	\$2,001,610	2.67%	\$1,559,147	\$442,462
Dunkirk	19-May-10	\$1,517,000	\$0	\$1,517,000	5.00%	\$2,434,560	2.92%	\$2,024,271	\$410,289
Chandler	26-May-10	\$3,220,000	\$0	\$3,220,000	5.00%	\$5,167,623	2.92%	\$4,296,738	\$870,884
Centerville	26-May-10	\$400,000	\$0	\$400,000	5.00%	\$641,941	2.42%	\$509,307	\$132,634
Cedar Lake	27-May-10	\$1,700,000	\$0	\$1,700,000	5.00%	\$2,728,248	2.92%	\$2,268,464	\$459,784
Brazil	21-Jun-10	\$4,670,000	\$0	\$4,670,000	5.00%	\$7,494,658	2.92%	\$6,231,605	\$1,263,053
Cataract Lake Water Corporation	30-Jun-10	\$900,000	\$0	\$900,000	5.00%	\$1,444,367	2.17%	\$1,118,963	\$325,404

TOTAL **\$59,616,082** **\$19,974,602** **\$79,590,684** **\$53,346,842**

* P & I = Principal and Interest

Exhibit J
Expeditious and Timely Use of Funds

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

Sources, Uses and Available Balances in SRF Accounts

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2010 and will continue to be in perpetuity.

Drinking Water Purchase Account.

Sources of Funds: Funds held in this account¹ come from proceeds of Program Bonds² issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2010 as well as loans anticipated to be closed in SFY 2011 and after.

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

Available Balance: As of July 1, 2010, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2011, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2010 is shown in the Use Schedule. Accordingly, none of the funds presently on deposit in this account are available for other SRF Loan Program purposes except to finance closed and committed loans related to qualified Proposed Projects.

¹ Pursuant to SRF Indenture modification, the former State Match Loan Account was consolidated into this Account effective May 30, 2007.

² These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its predecessor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as State Match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as a portion of the not-yet-available FFY 2011 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

Drinking Water Participant Loan Principal Account.

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

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

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

Drinking Water Participant Loan Interest Account.

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

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

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

DRINKING WATER RESERVE³ contains the following accounts:

Drinking Water Reserve Earnings Account.

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

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

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

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

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds, with any excess available balances to be transferred to the Reserve Deficiency Account. Accordingly, none of the funds presently on deposit⁴ in this account are available for other SRF purposes.

Drinking Water Reserve Grant Account.

Sources of Funds: Funds held in this account⁵ come from federal capitalization grants drawn when funds are loaned, up to the amount therein (and in the Equity Grant Account) that equals the perpetuity amount, and any amounts in excess thereof come from State Match.⁶

Uses of Funds: These funds are used (i) as security⁷ for outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and (ii) as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds as permitted by 40 CFR 35.3525(e) and 40 CFR 35.3550(g)(3), respectively. This use both directly and indirectly furthers the primary purpose of the DWSRF Loan Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: The aggregate amount held in this account (as of July 1, 2010 and as anticipated in SFY 2011) is shown in the Use Schedule.⁸ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, treasury and/or agencies obligations, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

⁴ And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

⁵ Pursuant to SRF Indenture modification, the former State Match Account was consolidated into this Account effective May 30, 2007.

⁶ State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2010, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.

⁷ Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$621.6 million, which is to be held in the Reserve accounts and is not anticipated to be used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this Annual Report (as shown in the amount set out in the Use Schedule). This is a minimum invested funds requirement. However, the Authority views invested amounts in excess of the foregoing minimum requirement as security and as a source of payment for the outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement will increase as additional Program Bonds are issued in SFY 2011 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

⁸ And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

Drinking Water Reserve Deficiency Account.

Sources of Funds: Funds held in this account, if any, will come from other Reserve accounts discussed above when the amounts held in the group of accounts serving as the Reserve any Series of Program Bonds (a “Series Reserve”) exceeds its Series Reserve Requirement.

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

Available Balance: No amounts were held in this account as of July 1, 2010 nor are any so anticipated in SFY 2011.

DRINKING WATER EQUITY⁹ contains the following accounts:

Drinking Water Equity Grant Account.

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

Uses of Funds: These funds are used (i) as security¹⁰ and as a source of payment for the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e), (ii) to fund any transfers to the Authority's CWSRF as permitted by law including Section 302 of the Safe Drinking Water Act, and (iii) to fund that portion of any loans closed but not presently on deposit in the Purchase Account¹¹ in the event additional leveraged Guarantee Revenue Bonds could not be issued for any reason to meet such commitments. This use both directly and indirectly furthers the primary purpose of the DWSRF Loan Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

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

¹⁰ Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2011 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2010.

¹¹ In addition to meeting any Excess Commitments as of July 1, 2010, additional Excess Commitments will occur before additional Guarantee Revenue Bonds are issued. This will result from closing new loans for qualified Proposed Projects with (a) approved preliminary engineering reports (PERs) as of July 1, 2010, (b) PERs submitted and under review by the DWSRF as of July 1, 2010 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2011), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2010 and as anticipated in SFY 2011) is shown in the Use Schedule.¹² In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

Drinking Water Equity Earnings Account.

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

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

Available Balance: The aggregate amount held in this account as of July 1, 2010 is shown in the Use Schedule.¹³

ADDITIONAL INFORMATION CONCERNING EXPECTED USES OF SRF FUNDS

Use of Available Balances to Meet Closed Loan Commitments. Under its existing practices, the Authority closes DWSRF loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF loan is closed. As of July 1, 2010, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2010, (b) PERs submitted and under review by the DWSRF as of July 1, 2010 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2011), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed and those anticipated to be closed in SFY 2011. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and

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

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

those anticipated to be closed in SFY 2011) in the event additional Guarantee Revenue Bonds could not to be issued.

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2011 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances as a Source of Payment for State Match Revenue Bonds. All SRF earnings including amounts held in the Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for State Match Revenue Bonds as permitted by 40 CFR 35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2011 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. As of July 1, 2010, about \$23.6 million has been transferred to DWSRF. As of July 1, 2010, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to \$55.98 million of allowable transfers which includes 33% of the FFY 2010 grant. The full amount of any such potential transfers is banked.

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

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

Exhibit J-1

	Account Balances* as of:	Future Deposits in SFY
	30-Jun-2010 (Actual)	
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ 10,800,000	\$ -
	\$ 10,800,000	\$ -
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 108,500,000	\$ -
Reserve Earnings Account	3,700,000	-
Reserve Deficiency Account	-	
Equity Grant Account	59,500,000	\$ 39,200,000
Equity Earnings Account	6,500,000	-
	\$ 178,200,000	\$ 39,200,000
Total Available Funds (A. and B. above)	\$ 189,000,000	\$ 39,200,000

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

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ 10,800,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	36,000,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	100,000
PERs In-house (approved & under-review) Awaiting Loan Closing	126,500,000
Other Projects on new SFY's PPL, Requesting Loan Funding	16,700,000
1. Use: to cover Loan Demand***	190,100,000
2. Use: to cover Series Reserve Requirement	124,500,000
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	\$ 314,600,000

Uses of Funds (1 & 2 above):	\$ 314,600,000
Less: Total Available Funds (A. and B. above)	228,200,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"	\$ 86,400,000

Notes:

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

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

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

SCHEDULE J-2
SRF INVESTMENT AGREEMENTS

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

Investment Agreement with:	Final Maturity Date ¹⁴	Optional Termination Date ¹⁵	Scheduled Repayments of Invested Amounts ¹⁶
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/16	Any time	\$1 to \$5 million
Trinity Plus Funding Company, LLC, Dated March 21, 2006	2/1/29	N/A	\$3 to \$10 million
FSA Capital Management Services LLC, Dated June 19, 2007	2/1/27	N/A	\$-0- to \$0.5 million

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

¹⁴ If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

¹⁵ On or after this date, the Authority may terminate the investment at its option and all invested sums will then be required to be repaid to the Authority without any premium (or other market to market payment).

¹⁶ Each February 1, commencing in 2008, a portion of the invested sums is required to be repaid annually to the Authority. These annual amounts are set out in a schedule to each agreement and range within the amounts shown in this column.

Exhibit K
SFY 2010 DWSRF Loan Program Quarterly Interest Rates

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (MHI: under \$33,669)			
1 st Qtr SFY 2010	2.62%	2.87%	3.37%
2 nd Qtr SFY 2010	2.06%	2.31%	2.81%
3 rd Qtr SFY 2010	2.06%	2.31%	2.81%
4 th Qtr SFY 2010	2.17%	2.42%	2.92%
Tier II (MHI: \$33,670 to \$41,566)			
1 st Qtr SFY 2010	2.87%	3.12%	3.62%
2 nd Qtr SFY 2010	2.31%	2.56%	3.06%
3 rd Qtr SFY 2010	2.31%	2.56%	3.06%
4 th Qtr SFY 2010	2.42%	2.67%	3.17%
Tier I (MHI: over \$41,567)			
1 st Qtr SFY 2010	3.12%	3.37%	3.87%
2 nd Qtr SFY 2010	2.56%	2.81%	3.31%
3 rd Qtr SFY 2010	2.56%	2.81%	3.31%
4 th Qtr SFY 2010	2.67%	2.92%	3.42%

Up to an additional .50 percent reduction is possible if a non-point source project is financed along with a point source project or if a project includes a green component as part of the Green Project Reserve Sustainability Incentive Program. An additional .25 percent increase is also possible if a loan is determined to have a long weighted average loan life. The SRF Pooled Program Participants receive the “AAA” interest rate that is available to the SRF Loan Program at the time of their loan closing.

Exhibit L
Summary of DWSRF Transfers

Consistent with its Intended Use Plans and EPA Policy Statement (FRL-6884-7, 65 FR 199, 10/13/00, pg. 60940), the State is reporting on transfers between the CWSRF and the DWSRF. In its Intended Use Plans, the State retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2010, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2010 could be so transferred on a net cumulative basis. Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2010, to date, approximately \$23.6 million has been transferred to the DWSRF from the CWSRF. The following transfers were made from the 1998 Restricted Subaccount of the Wastewater Equity Account held under the Wastewater Indenture, which represents federal grants previously converted to cash and deposited in that account, to the Drinking Water Trustee for deposit in the 1998 Restricted Subaccount of the Drinking Water Equity Account held under the Drinking Water Indenture:

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

Such transfers did not negatively affect the capacity of the CWSRF to finance proposed projects during SFY 2010.

Exhibit M



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

COMBINED FINANCIAL STATEMENTS

June 30, 2010 and 2009

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
Indianapolis, Indiana**

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENTS OF NET ASSETS	8
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	9
COMBINED STATEMENTS OF CASH FLOWS	10
NOTES TO COMBINED FINANCIAL STATEMENTS	11
COMBINING SCHEDULES	
INDEPENDENT AUDITORS' REPORT.....	33
COMBINING SCHEDULES - STATEMENTS OF NET ASSETS INFORMATION	34
COMBINING SCHEDULES - STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION	35
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION	36

Independent Auditors' Report

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the accompanying combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the years ended June 30, 2010 and 2009, presented on pages 8 - 32. These combined financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the State Revolving Fund Loan Programs, an enterprise fund, and do not purport to, and do not, present fairly the financial position of the Indiana Finance Authority, as of June 30, 2010 and 2009, and the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the State Revolving Fund Loan Programs at June 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis presented on pages 3-7 is not a required part of the basic combined financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2010, on our consideration of the State Revolving Fund Loan Programs' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Katz, Sappan & Miller, LLP

Indianapolis, Indiana
September 21, 2010

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2010

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview of Management's Discussion and Analysis (MD&A) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2010. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net assets increased by \$66.3 million during the current fiscal year from \$976.1 million to \$1,042.4 million. Of this amount, \$129.8 million consists of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA). Included in that total is \$78.6 million in grants made available by the American Recovery and Reinvestment Act of 2009. All of these net assets are restricted for water pollution and drinking water projects and related SRF Program purposes.

During the current fiscal year, the SRF Programs' debt increased by \$66.7 million. The net increase in debt is the result of the issuance of \$427.9 million of new Series 2009A and 2010A bonds, offset by the full cash defeasance of the Series 2000B bonds and the partial defeasance of Series 2001A, 2002B, 2004B and 2004C for a defeasance total of \$298.6 million and scheduled principal payments totaling \$62.6 million. Refinancing the Series 2001A, 2002B, 2004B and 2004C with the Series 2010A bonds resulted in present value savings of \$13.4 million or 4.6% of the refunded bonds.

The SRF Programs disbursed \$176.9 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan commitments can be found in Note 3 to the combined financial statements on page 17 of this report.

BASIC COMBINED FINANCIAL STATEMENTS

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

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

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2010**

The SRF Programs' basic combined financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and the notes to the combined financial statements. These combined financial statements can be found on pages 8-10 of this report and are summarized below:

- The *combined statements of net assets* present information on all of the SRF Programs' assets and liabilities, with the difference between the two reported as net assets.
- The *combined statements of revenues, expenses and changes in net assets* present information showing how the SRF Programs' net assets changed during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- In contrast, the *combined statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

The Report also contains other supplementary information in addition to the basic combined financial statements themselves.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 11-32 of this report.

In addition to the basic combined financial statements and accompanying notes, this report also presents combining schedules on pages 34-36. These combining schedules are not a required part of the basic combined financial statements, but they provide detailed financial statement information for each individual program. The combining schedules are included to provide other useful information for the readers of the basic combined financial statements.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2010

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, assets exceeded liabilities by \$1,042.4 million at the close of the most recent fiscal year.

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

	2010	June 30, 2009	2008
Current assets	\$ 717,323	\$ 605,256	\$ 442,990
Noncurrent assets	<u>2,148,365</u>	<u>2,129,269</u>	<u>2,257,960</u>
Total Assets	<u>2,865,688</u>	<u>2,734,525</u>	<u>2,700,950</u>
Current liabilities	124,904	115,774	105,176
Long-term liabilities	<u>1,698,365</u>	<u>1,642,671</u>	<u>1,727,037</u>
Total Liabilities	<u>1,823,269</u>	<u>1,758,445</u>	<u>1,832,213</u>
Net Assets			
Restricted	<u>1,042,419</u>	<u>976,080</u>	<u>868,737</u>
Total Net Assets	<u>\$ 1,042,419</u>	<u>\$ 976,080</u>	<u>\$ 868,737</u>

Total assets have increased over the years as the SRF Programs continue to mature, manage new and existing projects, and receive new grants. Typically as new and existing projects are undertaken and completed, additional bonds on behalf of the SRF Programs are issued in order to fund the projects. Therefore, long-term liabilities have also increased to meet the needs of participants.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2010

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

	Years Ended June 30,		
	2010	2009	2008
Operating Revenues			
Interest-investments	\$ 32,395	\$ 106,106	\$ 54,154
Interest-participants	58,179	57,000	52,862
Other	<u>686</u>	<u>288</u>	<u>479</u>
Total operating revenues	<u>91,260</u>	<u>163,394</u>	<u>107,495</u>
Operating Expenses			
Interest	79,867	81,266	88,194
Amortization of deferred charges	958	1,075	1,177
Trustee fees	90	80	109
Other program and administrative	<u>3,040</u>	<u>1,524</u>	<u>1,591</u>
Total operating expenses	<u>83,955</u>	<u>83,945</u>	<u>91,071</u>
Operating Income	7,305	79,449	16,424
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	129,790	29,592	30,011
Loan forgiveness	<u>(70,756)</u>	<u>(1,698)</u>	<u>-</u>
Total nonoperating revenues	<u>59,034</u>	<u>27,894</u>	<u>30,011</u>
Increase in Net Assets	66,339	107,343	46,435
Net Assets:			
Beginning of Year	<u>976,080</u>	<u>868,737</u>	<u>822,302</u>
End of Year	<u>\$ 1,042,419</u>	<u>\$ 976,080</u>	<u>\$ 868,737</u>

The SRF Programs' net assets increased by \$66.3 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$129.8 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes. The increase in EPA grants is the result of additional funding made available by the American Recovery and Reinvestment Act of 2009 (ARRA). ARRA grants received in fiscal year 2010 totaled \$78.6 million.
- Interest income on investments and loans exceeded operating expenses by \$7.3 million.
- The majority of the ARRA grants were loaned to communities and are forgivable under the terms of the Act and offset the increases mentioned above.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2010

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount and unamortized loss on refunding, was \$1.78 billion. The amount due represents bonds issued solely for the State Revolving Fund Loan Programs.

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

	Years Ended June 30,		
	2010	2009	2008
Net Bond Indebtedness	\$ 1,782,689	\$ 1,715,974	\$ 1,789,657

During the current fiscal year, the SRF Programs' debt increased by \$66.7 million. The net increase in debt is the result of the issuance of \$427.9 million of new Series 2009A and 2010A bonds, offset by the full cash defeasance of the Series 2000B bonds and the partial defeasance of Series 2001A, 2002B, 2004B and 2004C for a defeasance total of \$298.6 million and scheduled principal payments totaling \$62.6 million.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 21-31 of this report.

REQUESTS OF INFORMATION

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

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET ASSETS
Years Ended June 30, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and equivalents	\$ 541,588,990	\$ 478,781,072
Interest receivable	26,130,640	25,038,188
Due from EPA	51,481,881	29,606,328
Accounts receivable	3,233,349	-
Loans receivable	<u>94,887,655</u>	<u>71,830,032</u>
Total Current Assets	<u>717,322,515</u>	<u>605,255,620</u>
Noncurrent Assets:		
Investments	426,553,884	454,477,088
Loans receivable, net	1,713,450,893	1,666,797,048
Equipment, net	22,579	30,567
Deferred charges, net	<u>8,337,489</u>	<u>7,964,571</u>
Total Noncurrent Assets	<u>2,148,364,845</u>	<u>2,129,269,274</u>
Total Assets	<u>2,865,687,360</u>	<u>2,734,524,894</u>
LIABILITIES		
Current Liabilities:		
Interest payable	35,067,840	34,649,807
Accounts payable	263,967	257,555
Amount due to federal government	3,761,898	1,676,901
Bonds payable-current, net	<u>85,810,000</u>	<u>79,190,000</u>
Total Current Liabilities	<u>124,903,705</u>	<u>115,774,263</u>
Long-term Liabilities:		
Amount due to federal government	1,485,502	5,886,374
Bonds payable, net	<u>1,696,879,424</u>	<u>1,636,784,059</u>
Total Long-term Liabilities	<u>1,698,364,926</u>	<u>1,642,670,433</u>
Total Liabilities	<u>1,823,268,631</u>	<u>1,758,444,696</u>
NET ASSETS		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,042,418,729</u>	<u>\$ 976,080,198</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2010 and 2009

	2010	2009
OPERATING REVENUE		
Interest income-investments	\$ 32,395,408	\$ 106,105,829
Interest income-loan participants	58,178,496	56,999,588
Other	<u>686,137</u>	<u>287,794</u>
Total Operating Revenue	<u>91,260,041</u>	<u>163,393,211</u>
OPERATING EXPENSES		
Interest	79,867,252	81,265,891
Amortization of deferred charges	958,031	1,074,907
Trustee fees	89,960	80,006
Other program and administrative	<u>3,040,276</u>	<u>1,523,504</u>
Total Operating Expenses	<u>83,955,519</u>	<u>83,944,308</u>
OPERATING INCOME	7,304,522	79,448,903
NONOPERATING REVENUES AND (EXPENSES)		
Capital contributions	129,790,385	29,592,049
Loan forgiveness	<u>(70,756,376)</u>	<u>(1,697,733)</u>
Total Nonoperating Revenues and (Expenses)	<u>59,034,009</u>	<u>27,894,316</u>
INCREASE IN NET ASSETS	66,338,531	107,343,219
NET ASSETS		
Beginning of Year	<u>976,080,198</u>	<u>868,736,979</u>
End of Year	<u>\$ 1,042,418,729</u>	<u>\$ 976,080,198</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (5,746,037)	\$ (1,398,630)
Administration fee	75,001	24,267
Net Cash Used by Operating Activities	<u>(5,671,036)</u>	<u>(1,374,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	107,172,406	80,636,534
Issuance of loans to participants	(176,883,874)	(169,816,934)
Change in investments	27,923,204	216,075,669
Interest received on loans and investments	89,481,452	171,535,556
Purchase of capital assets	7,988	(6,430)
Net Cash Provided by Investing Activities	<u>47,701,176</u>	<u>298,424,395</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	427,960,000	-
Principal payments to reduce indebtedness including refunding	(361,244,635)	(73,676,619)
Payment of debt issuance costs, net of refunding	(1,330,949)	191,659
Change in amount due to federal government	(2,315,875)	1,212,060
Interest paid on debt	(79,449,219)	(82,505,632)
Net Cash Used by Non-Capital Financing Activities	<u>(16,380,678)</u>	<u>(154,778,532)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	107,914,832	11,162,946
Issuance of forgivable loans to participants	(70,756,376)	(1,697,733)
Net Cash Provided by Capital Financing Activities	<u>37,158,456</u>	<u>9,465,213</u>
NET INCREASE IN CASH AND EQUIVALENTS	62,807,918	151,736,713
CASH AND EQUIVALENTS		
Beginning of Year	<u>478,781,072</u>	<u>327,044,359</u>
End of Year	<u>\$ 541,588,990</u>	<u>\$ 478,781,072</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 7,304,522	\$ 79,448,903
Adjustments to reconcile operating income to net cash used by operating activities:		
Interest income	(90,573,904)	(163,105,417)
Interest expense	79,867,252	81,265,891
Amortization of deferred charges	958,031	1,074,907
Changes in assets and liabilities:		
Accounts receivable	(3,233,349)	-
Accounts payable	6,412	(58,647)
Net Cash Used by Operating Activities	<u>\$ (5,671,036)</u>	<u>\$ (1,374,363)</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The SRF Programs follow the accounting rules promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the SRF Programs follow all standards of the Financial Accounting Standards Board (FASB) Codification issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB Statements.

The Wastewater State Revolving Fund Loan Program and Drinking Water State Revolving Fund Loan Program: The federal Water Quality Act of 1987 as amended in 1996 authorized the United States Environmental Protection Agency (EPA) to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State of Indiana (State) originally established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State also has established a public drinking water system program to provide financial assistance for eligible projects. Prior to the SRF Programs receiving funding as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), "financial assistance" included making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems. ARRA and the EPA grant awarded to the SRF Program prior to June 30, 2010 required the SRF Program to provide both loans and forgivable loans to public water systems for eligible projects.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

By operation of law, effective May 15, 2005, all assets and liabilities of the SRF Programs (including the outstanding bonds of the Indiana Bond Bank related to the SRF Programs) became the assets and liabilities of the Indiana Finance Authority instead of the State or the Indiana Bond Bank. For years ending on, or before, June 30, 2005, these assets and liabilities of the SRF Programs were previously reported as part of the respective financial statements of the State and/or the Indiana Bond Bank. For the comparative financial statements for the years ended June 30, 2010 and 2009, such are reported as the Authority's assets and liabilities related to the SRF Programs.

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

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

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

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 1997A, 1998A, 2000A, 2000B, 2001A, 2002A, 2002B, 2004A, 2004B and 2004C Bonds, which by operation of law effective May 15, 2005, such liabilities of the SRF Programs became the liabilities of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2005A, 2006A, 2006B, 2007A, 2007B, 2009A and 2010A Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 7 and are secured by a common trust estate supported in part by participant loan repayments.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Net Assets: Restricted net assets are available for providing financial assistance related to water pollution control and drinking water projects and other SRF Program purposes.

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

Investments: Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2010 and 2009, market approximates cost. Changes in the fair value of investments are included in the combined statement of revenues, expenses and changes in net assets.

Allowance for Doubtful Accounts: Management's estimate of the allowance for doubtful accounts is determined through a review of individual loan balances' collectability, as well as the forgivable loans disbursed pursuant to the American Recovery and Reinvestment Act.

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

Subsequent Events: The Authority has evaluated the combined financial statements for subsequent events occurring through September 21, 2010, the date the combined financial statements were available to be issued. See Note 11.

Reclassifications: Certain reclassifications have been made to the prior year combined financial statements to conform to the current year presentation.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 2 - CASH AND INVESTMENTS

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

A summary of cash and investments as of June 30, 2010 and 2009 follows:

	<u>2010</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 402,026,756	\$ 94,411,761	\$ 496,438,517
Guaranteed investment contracts	178,943,234	36,236,677	215,179,911
Government obligations	<u>192,699,995</u>	<u>63,824,451</u>	<u>256,524,446</u>
	<u>\$ 773,669,985</u>	<u>\$ 194,472,889</u>	<u>\$ 968,142,874</u>
	<u>2009</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 352,507,672	\$ 82,654,812	\$ 435,162,484
Guaranteed investment contracts	184,739,870	39,792,844	224,532,714
Government obligations	<u>213,109,575</u>	<u>60,453,387</u>	<u>273,562,962</u>
	<u>\$ 750,357,117</u>	<u>\$ 182,901,043</u>	<u>\$ 933,258,160</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2010, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater				
	Investment Maturities (in years)				
	Fair Value	< 1	1 - < 5	5 - < 10	> 10
Money market funds	\$ 402,027	\$ 402,027	\$ -	\$ -	\$ -
Guaranteed investment contracts	178,943	6,396	33,564	38,908	100,075
Government obligations	<u>192,700</u>	<u>33,206</u>	<u>48,800</u>	<u>50,467</u>	<u>60,227</u>
	<u>\$ 773,670</u>	<u>\$ 441,629</u>	<u>\$ 82,364</u>	<u>\$ 89,375</u>	<u>\$ 160,302</u>

	Drinking Water				
	Investment Maturities (in years)				
	Fair Value	< 1	1 - < 5	5 - < 10	> 10
Money market funds	\$ 94,412	\$ 94,412	\$ -	\$ -	\$ -
Guaranteed investment contracts	36,237	3,511	5,120	14,231	13,375
Government obligations	<u>63,824</u>	<u>2,037</u>	<u>21,750</u>	<u>19,674</u>	<u>20,363</u>
	<u>\$ 194,473</u>	<u>\$ 99,960</u>	<u>\$ 26,870</u>	<u>\$ 33,905</u>	<u>\$ 33,738</u>

Credit Risk Disclosure: The following table (in thousands of dollars) provides information on the credit ratings associated with the SRF Programs' investments in debt securities at June 30, 2010:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAAmmf	Aaa	\$ 278,318
	AAAm	unrated	Aaa	218,121
Guaranteed investment contracts	AAA	unrated	Aa3	95,334
	AA+	unrated	unrated	94,688
	A	unrated	unrated	25,158
Government obligations	AAA	AAA	Aaa	224,313
	AAA	unrated	Aaa	2,495
	unrated	unrated	Aaa	123
	unrated	AAA	unrated	415
	unrated	unrated	unrated	<u>29,178</u>
Total Rated Investments				<u>\$ 968,143</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 2 - CASH AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The Program places no limit on the amount the SRF Programs may invest in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2010:

Dreyfus Cash Management CI A Fd 288	29%
Dreyfus Gov't Cash Management Fd 289	23%
U.S. Treasury	16%
Trinity Plus Funding Company, LLC GIC	10%
FSA Capital Management GIC	10%
Federal Home Loan Mortgage Corporation	9%

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 3 - LOANS RECEIVABLE

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

The loans receivable balance at June 30, 2010 and 2009 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	Loans Receivable as of June 30, 2010	Loans Receivable as of June 30, 2009	Actual Loan Available Less Principal Repayments as of June 30, 2010
Wastewater Fund	\$ 1,532,469,954	\$ 1,472,341,819	\$ 1,832,286,070
Drinking Water Fund	<u>275,868,594</u>	<u>266,285,261</u>	<u>354,988,240</u>
Total All Loans	<u>\$ 1,808,338,548</u>	<u>\$ 1,738,627,080</u>	<u>\$ 2,187,274,310</u>

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Loans receivable includes current portions of \$94,887,655 at June 30, 2010 and \$71,830,032 at June 30, 2009.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 3 - LOANS RECEIVABLE (Continued)

As of June 30, 2010, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

Name of Participant	Loans Receivable as of June 30, 2010	Loans Receivable as of June 30, 2009	Actual Loan Available Less Principal Repayments as of June 30, 2010
Wastewater Fund			
City of Indianapolis	\$ 421,425,385	\$ 402,597,895	\$ 434,094,250
City of Evansville	72,983,506	68,830,510	104,478,510
City of Fort Wayne	83,933,950	55,472,351	86,981,005
City of Columbus	84,025,000	80,708,000	84,025,000
City of Lafayette	52,316,201	53,512,080	54,102,080
City of Hammond	40,335,000	43,180,000	40,335,000
City of West Lafayette	35,411,881	35,890,983	37,855,000
City of New Albany	34,307,000	35,511,000	34,307,000
Drinking Water Fund			
City of East Chicago	\$ 22,093,462	\$ 17,045,000	\$ 46,580,000
City of Fort Wayne	26,960,000	28,690,000	26,960,000
City of Bloomington	18,992,000	20,296,000	18,992,000
City of Mishawaka	16,320,000	17,435,000	16,320,000
City of Greensburg	12,887,175	12,750,074	14,795,950
City of Jasper	9,883,000	10,605,000	9,883,000
City of Martinsville	9,402,424	9,299,590	9,581,000
Town of Whitestown	6,012,874	4,100,347	7,035,000
City of Michigan City	6,064,916	6,109,916	6,064,916
Town of Santa Claus	5,986,000	6,200,000	5,986,000
City of Huntingburg	5,670,000	6,060,000	5,670,000
Town of Syracuse	5,596,568	5,788,868	5,596,568
Town of Patriot	5,063,056	5,000,402	5,066,000

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 4 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2010:

	Investments	Loans	Total
Wastewater	\$ 4,907,275	\$ 18,054,520	\$ 22,961,795
Drinking Water	<u>1,055,941</u>	<u>2,112,904</u>	<u>3,168,845</u>
	<u>\$ 5,963,216</u>	<u>\$ 20,167,424</u>	<u>\$ 26,130,640</u>

Interest receivable at June 30, 2009:

	Investments	Loans	Total
Wastewater	\$ 5,426,506	\$ 16,504,734	\$ 21,931,240
Drinking Water	<u>1,162,177</u>	<u>1,944,771</u>	<u>3,106,948</u>
	<u>\$ 6,588,683</u>	<u>\$ 18,449,505</u>	<u>\$ 25,038,188</u>

NOTE 5 - DEFERRED CHARGES, NET

Deferred charges represent bond issuance costs which are being amortized using the interest method over the life of the related bond issue. Accumulated amortization was \$11,437,216 and \$8,850,058 at June 30, 2010 and 2009, respectively. The net unamortized deferred charges were \$8,337,489 and \$7,964,571 at June 30, 2010 and 2009, respectively. At June 30, 2010, future amortization of deferred charges is as follows:

June 30, 2011	\$ 1,059,685
June 30, 2012	978,827
June 30, 2013	918,123
June 30, 2014	851,775
June 30, 2015	781,547
Thereafter	<u>3,747,532</u>
	<u>\$ 8,337,489</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

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

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. The estimated liabilities, which were calculated as of January 31, 2010, are recorded in both the general short-term debt group for the current portion and the general long-term debt account group for the long term portion. With respect to such bonds, as of June 30, 2010, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2006A		
Wastewater Fund	\$ 1,547,308	January 31, 2011
Drinking Water Fund	131,993	January 31, 2011
2006B		
Wastewater Fund	1,682,947	January 31, 2011
Drinking Water Fund	399,650	January 31, 2011
2007A		
Wastewater Fund	794,673	January 31, 2012
Drinking Water Fund	119,690	January 31, 2012
1998A		
Wasterwater Fund	475,816	January 31, 2013
Drinking Water Fund	<u>95,323</u>	January 31, 2013
	<u>\$ 5,247,400</u>	

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE

Bonds payable at June 30, 2010 and 2009 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2010	2009
<u>Wastewater Fund:</u>		
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$246,735,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 246,735,000	\$ -
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$121,235,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	121,235,000	-
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	65,325,000	66,305,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$61,255,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	61,255,000	61,255,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 108,345,000	\$ 110,005,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	172,980,000	182,445,000
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$197,950,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	189,385,000	193,200,000
Series 2004A Refunding Bonds issued April 7, 2004 for the aggregate amount of \$113,115,000 to refund the callable portion of the Series 1994A and 1995A Bonds, maturing from February 1, 2005 to February 1, 2012 at interest rates ranging from 1.74% to 3.98%.	28,180,000	43,595,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$167,480,000 was the final allocation to the WSRF program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$13,549,109 was refunded. The remaining \$135,601,896 matures from February 1, 2011 to February 1, 2025.	135,601,896	152,500,734

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2004C Bonds issued June 23, 2004 for the aggregate amount of \$200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%. In February 2010, \$31,640,000 was refunded. The remaining \$139,910,000 matures from February 1, 2011 to February 1, 2027.	\$ 139,910,000	\$ 177,810,000
Series 2002A Refunding Bonds issued December 23, 2002 for the aggregate amount of \$75,070,000 to refund the callable portion of the Series 1993A Bonds, maturing from February 1, 2004 to February 1, 2013 at interest rates ranging from 1.86% to 4.84%.	20,530,000	29,465,000
Series 2002B Bonds issued December 23, 2002 for the aggregate amount of \$66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates ranging from 4.00% to 5.375%. Of this amount, \$52,422,270 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$3,775,000 was refunded. In February 2010, \$32,063,115 was refunded. The remaining \$16,583,888 matures from February 1, 2013 to February 1, 2024.	16,583,888	48,647,003
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, maturing from August 1, 2003 to February 1, 2023 at interest rates ranging from 3.5% to 5.5%. Of this amount, \$320,104,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,885,000 was refunded. In February 2010, \$157,619,688 was refunded. The remaining balance of \$124,996,070 matures from February 1, 2011 to February 1, 2023.	124,996,070	292,366,926

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of \$100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates ranging from 5.00% to 5.35%. Of this amount, \$69,950,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$55,244,542 was refunded. The remaining balance of \$14,706,730 was refunded in February 2010.	\$	\$ 14,706,730
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of \$90,000,000, maturing serially through February 1, 2020 at interest rates ranging from 4.00% to 5.00%. Of this amount, \$67,750,534 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$25,983,504 was refunded. The remaining \$32,964,994 matures from February 1, 2006 to February 1, 2020.	20,927,982	24,228,939
Series 1997A Bonds issued September 1, 1997 for the aggregate amount of \$85,000,000, maturing serially through February 1, 2019 at interest rates from 4.50% to 6.00%. In December 2005, \$62,425,000 was refunded. The remaining \$14,410,000 matured from February 1, 2007 to February 1, 2010.	_____	_____ 4,070,000
Subtotal-Wastewater	<u>1,451,989,836</u>	<u>1,400,600,332</u>
 <u>Drinking Water Fund:</u>		
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$42,235,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	42,235,000	-

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$17,755,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 17,755,000	\$ -
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	27,425,000	28,225,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	9,230,000	9,230,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	25,730,000	27,335,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	14,765,000	15,585,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$77,535,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 61,540,000	\$ 66,335,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$2,310,891 was refunded. The remaining \$26,643,104 matures from February 1, 2011 to February 1, 2025.	26,643,104	29,604,266
Series 2002B Bonds issued December 23, 2004 for the aggregate amount of \$66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates ranging From 4.00% to 5.375%. Of this amount, \$14,272,730 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,165,000 was refunded. In February 2010, \$5,246,885 was refunded. The remaining \$6,861,112 matures from February 1, 2013 to February 1, 2024.	6,861,112	12,107,997
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, maturing from August 1, 2004 to February 1, 2023 at interest rates ranging from 3.5% to 5.5%. Of this amount, \$79,896,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$16,600,000 was refunded. In February 2010, \$22,685,312 was refunded. The remaining \$31,248,930 matures from February 1, 2011 to February 1, 2023.	31,248,930	56,368,074

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 7 - BONDS PAYABLE (Continued)

	2010	2009
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of \$100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates ranging from 5.00% to 5.35%. Of this amount, \$30,050,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$17,100,458 was refunded. The remaining \$12,948,270 was refunded in February 2010.	\$ -	\$ 12,948,270
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of \$90,000,000, maturing serially through February 1, 2020 at interest rates from 4.00% to 5.00%. Of this amount, \$22,249,466 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, \$10,421,496 was refunded. The remaining \$8,145,006 matures from February 1, 2006 to February 1, 2020.	<u>4,192,018</u>	<u>5,276,061</u>
Subtotal-Drinking Water	<u>267,625,164</u>	<u>263,014,668</u>
Total Principal	1,719,615,000	1,663,615,000
Loss on refunding	(26,605,175)	(7,369,941)
Net premium on bonds payable	<u>89,679,599</u>	<u>59,729,000</u>
Total Bonds Payable	1,782,689,424	1,715,974,059
Less: Current portion	<u>85,810,000</u>	<u>79,190,000</u>
Long-term Portion	<u>\$ 1,696,879,424</u>	<u>\$ 1,636,784,059</u>

In December 2005, the Authority 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 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds.

In March 2008, the Authority cash defeased the remaining maturities of the Series 2000A Bonds. A cash deposit of \$30,585,073 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling \$28,725,000.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 7 - BONDS PAYABLE (Continued)

In February 2010, the Authority issued Series 2010A Refunding Bonds for the aggregate amount of \$288,970,000. The bonds were sold at a premium and refunded \$292,770,000 of prior debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2000B, 2001A, 2002B, 2004B and 2004C Bonds. The cash flow difference between the debt service on the refunded bonds and the new debt was \$14,768,576 and the economic gain was \$13,417,876.

The bonds referred to above are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding balances of \$480,665,000 and \$193,350,000 as of June 30, 2010 and 2009, respectively.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 7 - BONDS PAYABLE (Continued)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2010, are as follows:

	Principal			Interest			Debt Service Total
	Wastewater Fund	Drinking Water Fund	Total	Wastewater Fund	Drinking Water Fund	Total	
2011	\$ 72,517,056	\$ 13,292,944	\$ 85,810,000	\$ 70,916,446	\$ 13,063,921	\$ 83,980,367	\$ 169,790,367
2012	76,128,657	14,046,343	90,175,000	67,584,468	12,446,484	80,030,952	170,205,952
2013	79,995,753	15,269,247	95,265,000	63,934,604	11,759,086	75,693,690	170,958,690
2014	87,353,599	15,996,401	103,350,000	59,877,802	11,043,345	70,921,147	174,271,147
2015	89,937,319	16,762,681	106,700,000	55,859,838	10,323,622	66,183,460	172,883,460
2016-2020	491,881,267	97,773,733	589,655,000	210,986,826	38,573,170	249,559,996	839,214,996
2021-2025	404,261,185	74,278,815	478,540,000	91,985,773	14,484,442	106,470,215	585,010,215
2026-2029	<u>149,915,000</u>	<u>20,205,000</u>	<u>170,120,000</u>	<u>13,174,190</u>	<u>1,910,236</u>	<u>15,084,426</u>	<u>185,204,426</u>
	1,451,989,836	267,625,164	1,719,615,000	634,319,947	113,604,306	747,924,253	2,467,539,253
Loss on Refunding	(22,646,392)	(3,958,783)	(26,605,175)	-	-	-	(26,605,175)
Premium	<u>75,717,199</u>	<u>13,962,400</u>	<u>89,679,599</u>	-	-	-	<u>89,679,599</u>
Total	<u>\$1,505,060,643</u>	<u>\$277,628,781</u>	<u>\$1,782,689,424</u>	<u>\$ 634,319,947</u>	<u>\$ 113,604,306</u>	<u>\$ 747,924,253</u>	<u>\$2,530,613,677</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 7 - BONDS PAYABLE (Continued)

The following is a summary of total debt service:

	Interest Rates Ranges	Maturity Range	Annual Payment Range	Principal
Wastewater Fund	2.00%-5.375%	2011-2028	\$ 35,645,000 - \$108,460,320	\$ 1,451,989,836
Drinking Water Fund	3.40%-5.50%	2011-2029	1,195,000 - 21,400,634	<u>267,625,164</u>
Combined Programs	2.00%-5.50%	2011-2029	36,840,000 - 129,860,954	1,719,615,000
Less: Current Portion				<u>85,810,000</u>
Total Long-term Portion				<u>\$ 1,633,805,000</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009**

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2010 and 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2010:						
Amount due to federal government	\$ 7,563,275	\$ 1,063,129	\$ 3,379,004	\$ 5,247,400	\$ 3,761,898	\$ 1,485,502
Bonds payable	1,663,615,000	427,960,000	371,960,000	1,719,615,000	85,810,000	1,633,805,000
Loss on refunding	(7,369,941)	5,288,128	24,523,362	(26,605,175)	-	(26,605,175)
Net premium on bonds payable	59,729,000	45,963,711	16,013,112	89,679,599	-	89,679,599
	<u>\$ 1,723,537,334</u>	<u>\$ 480,274,968</u>	<u>\$ 415,875,478</u>	<u>\$1,787,936,824</u>	<u>\$ 89,571,898</u>	<u>\$ 1,698,364,926</u>
June 30, 2009:						
Amount due to federal government	\$ 6,351,215	\$ 1,212,060	\$ -	\$ 7,563,275	\$ 1,676,901	\$ 5,886,374
Bonds payable	1,732,585,000	-	68,970,000	1,663,615,000	79,190,000	1,584,425,000
Loss on refunding	(9,975,217)	2,605,276	-	(7,369,941)	-	(7,369,941)
Net premium on bonds payable	67,046,740	-	7,317,740	59,729,000	-	59,729,000
	<u>\$ 1,796,007,738</u>	<u>\$ 3,817,336</u>	<u>\$ 76,287,740</u>	<u>\$1,723,537,334</u>	<u>\$ 80,866,901</u>	<u>\$ 1,642,670,433</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2010 and 2009

NOTE 9 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its Financial Statements. In its Intended Use Plans, the SRF Programs retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2010, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2010 could be so transferred on a net cumulative basis between the two SRF Program funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2010, to date, the following transfers were made:

2001	\$ 20,464,898
2002	3,270,417

NOTE 10 - PROGRAM REVENUE

For the years ended June 30, 2010 and 2009, program revenues consisted of the following:

	2010	2009
Operating grants and contributions	\$ 91,260,041	\$ 163,393,211
Capital grants and contributions	<u>129,790,385</u>	<u>29,592,049</u>
	<u>\$ 221,050,426</u>	<u>\$ 192,985,260</u>

NOTE 11 - SUBSEQUENT EVENTS

In September, the SRF Series 1998A bonds in the amount of \$25,120,000 were defeased using available funds on hand.

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*Independent Auditors' Report
on Combining Schedules*

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Our report on our audits of the basic combined financial statements of the State Revolving Fund Loan Programs for the years ended June 30, 2010 and 2009, appears on pages 1-2. Those audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying combining schedules are presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position, results of operations and cash flows of the individual programs. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 21, 2010

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET ASSETS INFORMATION
June 30, 2010 and 2009

	Waste water Program		Drinking Water Program		Combined	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current Assets:						
Cash and equivalents	\$ 441,628,842	\$ 391,199,722	\$ 99,960,148	\$ 87,581,350	\$ 541,588,990	\$ 478,781,072
Interest receivable-investments	4,907,275	5,426,506	1,055,941	1,162,177	5,963,216	6,588,683
Interest receivable-loans	18,054,520	16,504,734	2,112,904	1,944,771	20,167,424	18,449,505
Due from EPA	36,296,641	16,856,787	15,185,240	12,749,541	51,481,881	29,606,328
Accounts receivable	2,229,349	-	1,004,000	-	3,233,349	-
Loans receivable	81,041,135	60,555,530	13,846,520	11,274,502	94,887,655	71,830,032
Total Current Assets	<u>584,157,762</u>	<u>490,543,279</u>	<u>133,164,753</u>	<u>114,712,341</u>	<u>717,322,515</u>	<u>605,255,620</u>
Noncurrent Assets:						
Investments	332,041,143	359,157,395	94,512,741	95,319,693	426,553,884	454,477,088
Loans receivable, net	1,451,428,819	1,411,786,289	262,022,074	255,010,759	1,713,450,893	1,666,797,048
Equipment, net	16,412	22,400	6,167	8,167	22,579	30,567
Deferred charges, net	7,037,037	6,703,000	1,300,452	1,261,571	8,337,489	7,964,571
Total Noncurrent Assets	<u>1,790,523,411</u>	<u>1,777,669,084</u>	<u>357,841,434</u>	<u>351,600,190</u>	<u>2,148,364,845</u>	<u>2,129,269,274</u>
Total Assets	<u>2,374,681,173</u>	<u>2,268,212,363</u>	<u>491,006,187</u>	<u>466,312,531</u>	<u>2,865,687,360</u>	<u>2,734,524,894</u>
LIABILITIES						
Current Liabilities:						
Interest payable	29,608,506	29,167,689	5,459,334	5,482,118	35,067,840	34,649,807
Accounts payable	263,967	240,148	-	17,407	263,967	257,555
Amount due to federal government	3,230,255	1,317,609	531,643	359,292	3,761,898	1,676,901
Bonds payable-current, net	72,517,056	67,001,854	13,292,944	12,188,146	85,810,000	79,190,000
Total Current Liabilities	<u>105,619,784</u>	<u>97,727,300</u>	<u>19,283,921</u>	<u>18,046,963</u>	<u>124,903,705</u>	<u>115,774,263</u>
Long-term Liabilities:						
Amount due to federal government	1,270,489	5,061,014	215,013	825,360	1,485,502	5,886,374
Bonds payable, net	1,432,543,588	1,378,190,209	264,335,836	258,593,850	1,696,879,424	1,636,784,059
Total Long-term Liabilities	<u>1,433,814,077</u>	<u>1,383,251,223</u>	<u>264,550,849</u>	<u>259,419,210</u>	<u>1,698,364,926</u>	<u>1,642,670,433</u>
Total Liabilities	<u>1,539,433,861</u>	<u>1,480,978,523</u>	<u>283,834,770</u>	<u>277,466,173</u>	<u>1,823,268,631</u>	<u>1,758,444,696</u>
NET ASSETS						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 835,247,312</u>	<u>\$ 787,233,840</u>	<u>\$ 207,171,417</u>	<u>\$ 188,846,358</u>	<u>\$ 1,042,418,729</u>	<u>\$ 976,080,198</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
Years Ended June 30, 2010 and 2009

	Waste water Program		Drinking Water Program		Combined	
	2010	2009	2010	2009	2010	2009
OPERATING REVENUE						
Interest income-investments	\$ 24,815,480	\$ 90,496,042	\$ 7,579,928	\$ 15,609,787	\$ 32,395,408	\$ 106,105,829
Interest income-loan participants	49,436,480	48,465,325	8,742,016	8,534,263	58,178,496	56,999,588
Administration fee	49,001	14,267	26,000	10,000	75,001	24,267
Other	-	-	611,136	263,527	611,136	263,527
Total Operating Revenue	<u>74,300,961</u>	<u>138,975,634</u>	<u>16,959,080</u>	<u>24,417,577</u>	<u>91,260,041</u>	<u>163,393,211</u>
OPERATING EXPENSES						
Interest	66,755,699	68,319,520	13,111,553	12,946,371	79,867,252	81,265,891
Amortization of deferred charges	809,566	914,758	148,465	160,149	958,031	1,074,907
Trustee fees	89,960	80,006	-	-	89,960	80,006
Other program and administrative	2,413,900	1,250,173	626,376	273,331	3,040,276	1,523,504
Total Operating Expenses	<u>70,069,125</u>	<u>70,564,457</u>	<u>13,886,394</u>	<u>13,379,851</u>	<u>83,955,519</u>	<u>83,944,308</u>
OPERATING INCOME	4,231,836	68,411,177	3,072,686	11,037,726	7,304,522	79,448,903
NONOPERATING REVENUES AND (EXPENSES)						
Capital contributions	95,563,548	16,856,787	34,226,837	12,735,262	129,790,385	29,592,049
Loan forgiveness	(51,781,912)	(394,471)	(18,974,464)	(1,303,262)	(70,756,376)	(1,697,733)
Total Nonoperating Revenues and (Expenses)	<u>43,781,636</u>	<u>16,462,316</u>	<u>15,252,373</u>	<u>11,432,000</u>	<u>59,034,009</u>	<u>27,894,316</u>
INCREASE IN NET ASSETS	48,013,472	84,873,493	18,325,059	22,469,726	66,338,531	107,343,219
NET ASSETS						
Beginning of Year	<u>787,233,840</u>	<u>702,360,347</u>	<u>188,846,358</u>	<u>166,376,632</u>	<u>976,080,198</u>	<u>868,736,979</u>
End of Year	<u>\$ 835,247,312</u>	<u>\$ 787,233,840</u>	<u>\$ 207,171,417</u>	<u>\$ 188,846,358</u>	<u>\$ 1,042,418,729</u>	<u>\$ 976,080,198</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2010 and 2009

	Waste water Program		Drinking Water Program		Combined	
	2010	2009	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (4,709,390)	\$ (1,394,049)	\$ (1,036,647)	\$ (4,581)	\$ (5,746,037)	\$ (1,398,630)
Administration fee	49,001	14,267	26,000	10,000	75,001	24,267
Net Cash Used by Operating Activities	<u>(4,660,389)</u>	<u>(1,379,782)</u>	<u>(1,010,647)</u>	<u>5,419</u>	<u>(5,671,036)</u>	<u>(1,374,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	93,596,921	69,374,622	13,575,485	11,261,912	107,172,406	80,636,534
Issuance of loans to participants	(153,725,056)	(145,384,412)	(23,158,818)	(24,432,522)	(176,883,874)	(169,816,934)
Change in investments	27,116,252	196,599,828	806,952	19,475,841	27,923,204	216,075,669
Interest received on loans and investments	73,221,405	146,283,187	16,260,047	25,252,369	89,481,452	171,535,556
Purchase of capital assets	5,988	(6,430)	2,000	-	7,988	(6,430)
Net Cash Provided by Investing Activities	<u>40,215,510</u>	<u>266,866,795</u>	<u>7,485,666</u>	<u>31,557,600</u>	<u>47,701,176</u>	<u>298,424,395</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	367,970,000	-	59,990,000	-	427,960,000	-
Principal payments to reduce indebtedness including refunding	(308,101,419)	(62,832,198)	(53,143,216)	(10,844,421)	(361,244,635)	(73,676,619)
Payment of debt issuance costs, net of refunding	(1,143,603)	172,834	(187,346)	18,825	(1,330,949)	191,659
Change in amount due to federal government	(1,877,879)	787,113	(437,996)	424,947	(2,315,875)	1,212,060
Interest paid on debt	(66,314,882)	(69,364,895)	(13,134,337)	(13,140,737)	(79,449,219)	(82,505,632)
Net Cash Used by Non-Capital Financing Activities	<u>(9,467,783)</u>	<u>(131,237,146)</u>	<u>(6,912,895)</u>	<u>(23,541,386)</u>	<u>(16,380,678)</u>	<u>(154,778,532)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital contributions (EPA grants)	76,123,694	-	31,791,138	11,162,946	107,914,832	11,162,946
Issuance of forgivable loans to participants	(51,781,912)	(394,471)	(18,974,464)	(1,303,262)	(70,756,376)	(1,697,733)
Net Cash Provided by Capital Financing Activities	<u>24,341,782</u>	<u>(394,471)</u>	<u>12,816,674</u>	<u>9,859,684</u>	<u>37,158,456</u>	<u>9,465,213</u>
NET INCREASE IN CASH AND EQUIVALENTS	50,429,120	133,855,396	12,378,798	17,881,317	62,807,918	151,736,713
CASH AND EQUIVALENTS						
Beginning of Year	<u>391,199,722</u>	<u>257,344,326</u>	<u>87,581,350</u>	<u>69,700,033</u>	<u>478,781,072</u>	<u>327,044,359</u>
End of Year	<u>\$ 441,628,842</u>	<u>\$ 391,199,722</u>	<u>\$ 99,960,148</u>	<u>\$ 87,581,350</u>	<u>\$ 541,588,990</u>	<u>\$ 478,781,072</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income	\$ 4,231,836	\$ 68,411,177	\$ 3,072,686	\$ 11,037,726	\$ 7,304,522	\$ 79,448,903
Adjustments to reconcile operating income to net cash used by operating activities:						
Interest income	(74,251,960)	(138,961,367)	(16,321,944)	(24,144,050)	(90,573,904)	(163,105,417)
Interest expense	66,755,699	68,319,520	13,111,553	12,946,371	79,867,252	81,265,891
Amortization of deferred charges	809,566	914,758	148,465	160,149	958,031	1,074,907
Changes in assets and liabilities:						
Accounts receivable	(2,229,349)	-	(1,004,000)	-	(3,233,349)	-
Accounts payable	23,819	(63,870)	(17,407)	5,223	6,412	(58,647)
Net Cash Used by Operating Activities	<u>\$ (4,660,389)</u>	<u>\$ (1,379,782)</u>	<u>\$ (1,010,647)</u>	<u>\$ 5,419</u>	<u>\$ (5,671,036)</u>	<u>\$ (1,374,363)</u>

Exhibit N



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
OMB CIRCULAR A-133 AUDITORS' REPORTS**

June 30, 2010

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

CONTENTS

	Page
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Schedule of Expenditures of Federal Awards	3-4
Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	5-6
Schedule of Findings and Questioned Costs	7-8

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

Year Ended June 30, 2010

Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State Revolving Fund Loan Programs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State Revolving Fund Loan Programs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State Revolving Fund Loan Programs' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Revolving Fund Loan Programs' combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Members of the Indiana Finance Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sappaw & Miller, LLP

Indianapolis, Indiana
September 21, 2010

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010**

	CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18000110-0	\$ 49,104,000	\$ 36,297,904
	66.458	2W-00E73001	94,447,500	59,266,907 *
				95,564,811
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548610-0	\$ 22,638,000	\$ 15,185,240
	66.468	2F-00E72901	27,212,000	19,327,167 *
	66.468	FS98548605-0	8,945,866	169,110
	66.468	FS98548605-0	400,000	256,711
	66.468	FS98548605-0	206,820	42,450
	66.468	FS98548606-0	417,488	95,804
	66.468	FS98548608-0	100,000	100,000
	66.468	FS98548609-0	454,680	116,171
				35,292,653
				\$ 130,857,464

* Grant relates to the American Recovery and Reinvestment Act of 2009

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

NOTE 2 - SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$95,564,811
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$34,681,517

*Independent Auditors' Report on Compliance With
Requirements That Could Have a Direct and
Material Effect on Each Major Program and on
Internal Control Over Compliance in
Accordance with OMB Circular A-133*

Year Ended June 30, 2010

Indiana Finance Authority
State Revolving Fund Loan Programs

Compliance

We have audited the State Revolving Fund Loan Programs' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of State Revolving Fund Loan Programs' major federal programs for the year ended June 30, 2010. The State Revolving Fund Loan Programs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State Revolving Fund Loan Programs' management. Our responsibility is to express an opinion on the State Revolving Fund Loan Programs' compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Loan Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State Revolving Fund Loan Programs' compliance with those requirements.

In our opinion, the State Revolving Fund Loan Programs complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the State Revolving Fund Loan Programs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State Revolving Fund Loan Programs' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State Revolving Fund Loan Programs' internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 21, 2010. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise the State Revolving Fund Loan Programs' basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, Members of the Indiana Finance Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Appew & Miller, LLP

Indianapolis, Indiana
September 21, 2010

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

SECTION I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued [*unqualified, qualified, adverse, or disclaimer*]: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs [*unqualified, qualified, adverse, or disclaimer*]: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010**

SECTION I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

SECTION II – Financial Statement Findings

None

SECTION III – Federal Award Findings and Questioned Costs

None



Exhibit O

Indiana Finance Authority State Revolving Fund Loan Programs

Drinking Water Projects Closed in State Fiscal Year 2010 (July 1, 2009 - June 30, 2010)

Legend

● Drinking Water
2010 Projects

\$79.6 million
35 loans

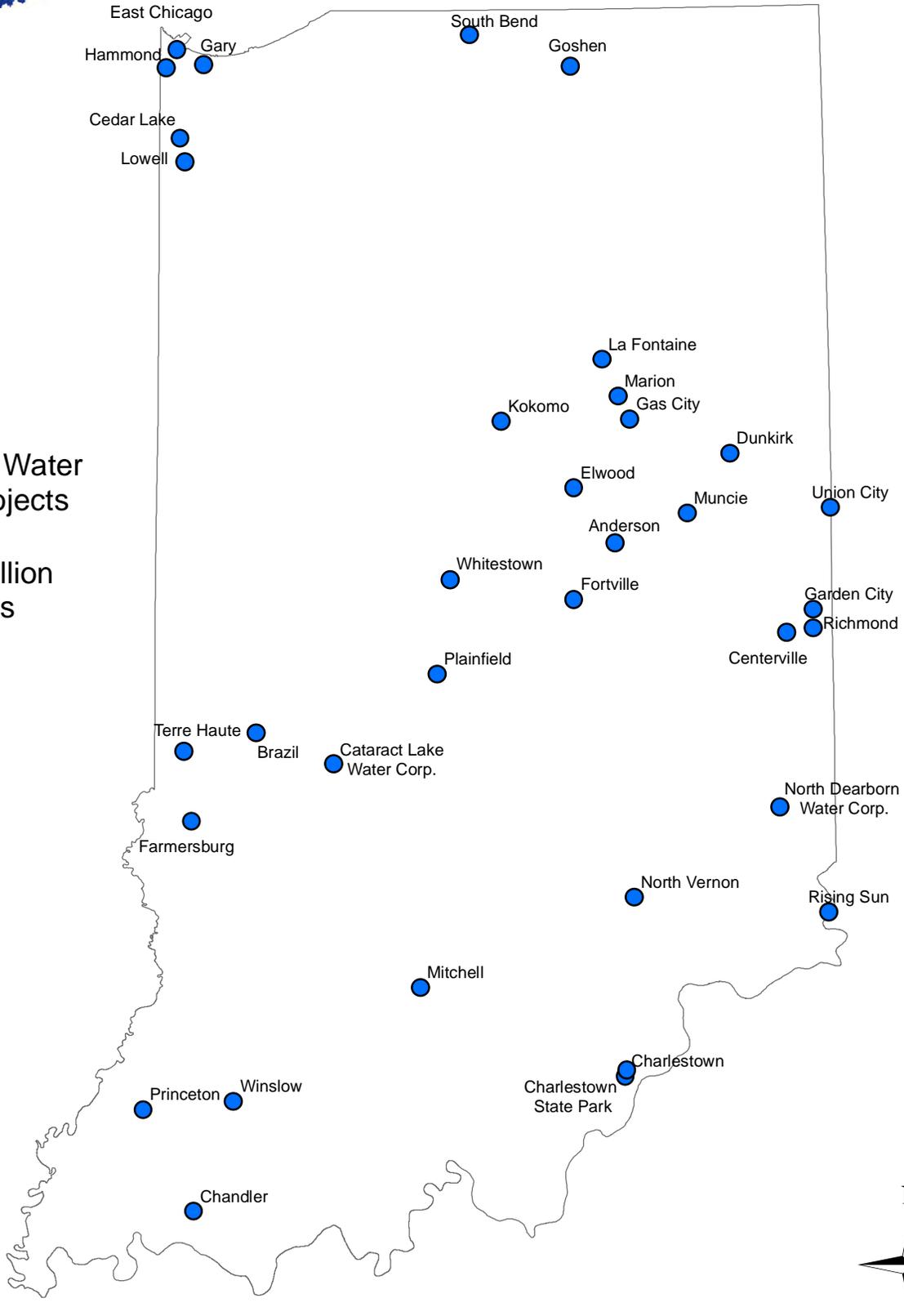




Exhibit P

**Indiana Finance Authority
State Revolving Fund Loan Programs**

All Drinking Water Projects Closed Since 1999

Legend

● Drinking Water

\$ 428 million
158 loans

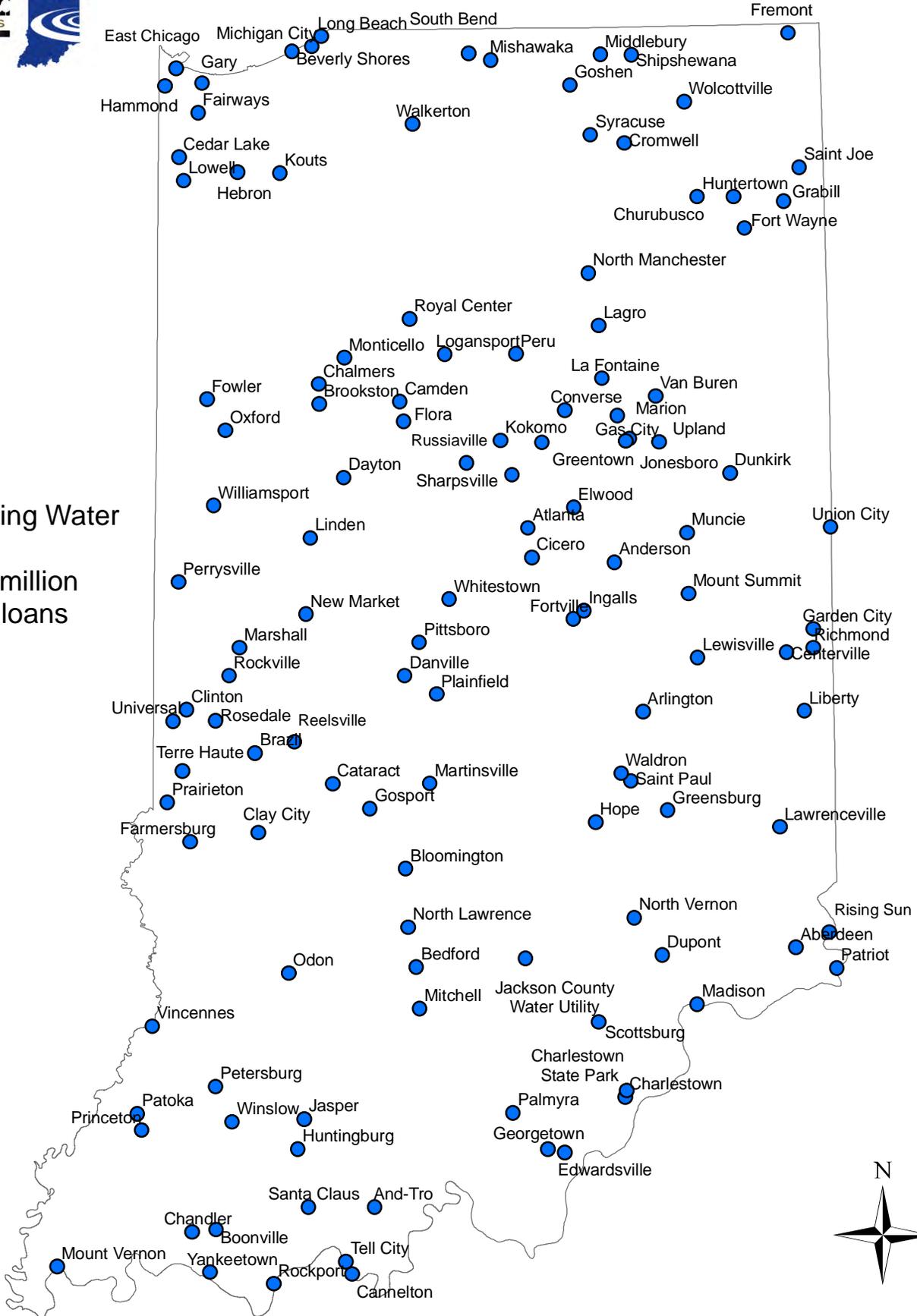


Exhibit Q
Summary of Set-Aside Activities in SFY 2010

The SFY 2010 activities funded by the DWSRF Set-Asides are summarized below. Exhibit R identifies Set-Aside financial activity for all capitalization grants, which reflects the receipts, disbursements, and commitments of all Set-Aside funds awarded through and including June 30, 2010.

Arsenic Remediation Grant Program

During SFY 2010, the Authority disbursed 13 Arsenic Remediation Grants, which totaled \$1,265,180. These grants were funded from a combination of the State Program Management Set-Aside (\$256,710.67) and State Supplemental funds (\$1,008,469.33), with the Set-Aside funds paying for planning and design and the State Supplemental funds paying for construction costs.

The 13 Arsenic Remediation Grant Recipients were:

Participant	County	Population Served	Grant Amount
Bourbon Water Department	Marshall	1,645	\$100,000.00
Bremen Water Department	Marshall	4,700	\$100,000.00
Blue River Valley Jr/Sr High	Henry	770	\$200,000.00
St. Peter Immanuel Lutheran School	Adams	93	\$100,000.00
Kings Ridge Homeowners Association	Tippecanoe	100	\$100,000.00
Southwestern Elementary School	Shelby	450	\$33,642.00
Mays Elementary School	Rush	167	\$54,002.00
Clark Elementary School	Johnson	707	\$89,215.00
Western School Corporation	Howard	630	\$300,000.00
Perrysville Water Works	Vermillion	502	\$56,960.00
Brandywine Elementary School	Hancock	450	\$43,636.00
Ridgeville Water Department	Randolph	830	\$62,745.00
Clinton Christian School	Elkhart	130	\$24,980.00
TOTAL			\$1,265,180.00

Administrative Set-Asides Activities

During SFY 2010, the Authority used administrative Set-Asides to offset DWSRF Loan Program costs to the extent permitted by the SDWA.

Exhibit R: Summary of Set-Aside Funds in SFY 2010

Set-Aside Totals for Grant Years 1997 - 2009 as of June 30, 2010

<u>Set-Aside Category</u>	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered (optional)	Unobligated Balance	Funds Expended	Balance of Unexpended Funds	Set-Aside Spending Rate
Administration Set-Aside [b]	2,671,842.11	4%	0.00	2,671,842.11	2,347,612.33	324,229.78	87.9%
Small Systems Technical Assistance [c]	1,293,423.89	2%	0.00	1,293,423.89	984,679.89	308,744.00	76.1%
<u>State Program Management</u>							
PWSS (administer State program) [d1i]	1,656,369.00		0.00	1,656,369.00	1,656,368.93	0.07	
Source Water Protection programs [d1ii]	0.00		0.00	0.00	0.00	0.00	
Capacity Development strategy [d1iii]	0.00		0.00	0.00	0.00	0.00	
Operator Certification program [d1iv]	0.00		0.00	0.00	0.00	0.00	
Total State Program Management (note: 1-to-1 match required on State Program Management)	1,656,369.00	10%	0.00	1,656,369.00	1,656,368.93	0.07	100.0%
<u>Local Assistance / other State Programs</u>							
Land Acquisition loans [e1i]	0.00		0.00	0.00	0.00	0.00	
Source Water Protection loans [e1ii]	0.00		0.00	0.00	0.00	0.00	
Wellhead Protection [e1iii]	0.00		0.00	0.00	0.00	0.00	
PWS Capacity Development assistance [e1iv]	2,163,769.00		0.00	2,163,769.00	2,163,769.00	0.00	
SWP areas - Delineation & Assessment [e1v]	0.00		0.00	0.00	0.00	0.00	
Total Local Assistance & other State Programs	2,163,769.00	15%	0.00	2,163,769.00	2,163,769.00	0.00	100.0%
Sub-Total: Non-Administration Set-Asides	5,113,561.89		0.00	5,113,561.89	4,804,817.82	308,744.07	94.0%
Total - All Set-Aside Activity	7,785,404.00		0.00	7,785,404.00	7,152,430.15	632,973.85	91.9%