

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2012
July 1, 2012**

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2012 ANNUAL REPORT

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STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2012 ANNUAL REPORT

I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2012 (July 1, 2011 - June 30, 2012). 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 2011 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 2012 Intended Use Plan (IUP). A description of how the DWSRF Loan Program has achieved these goals or is working toward them is in Exhibit A.

In SFY 2012, the Authority chose to continue the Green Project Reserve (GPR) Sustainability Incentive Program, which provides an interest rate break incentive to SRF participants that incorporate green project components into their projects. In SFY 2012, green projects accounted for 94%, or \$14,065,113 of the 2012 Capitalization Grant. Exhibit B, Green Project Reserve by Capitalization Grant Year, lists participants that incorporated GPR projects.

Another goal of the Authority was to disburse at least 30% of the 2011 Capitalization Grant in the form of additional subsidization. Additional subsidization may be in the form of principal forgiveness, negative interest rate loans, or grants. As of June 30, 2012, the DWSRF Loan Program provided 31% of the 2010 Capitalization Grant, 17% of the 2011 Capitalization Grant, and 0% of the 2012 Capitalization Grant in the form of principal forgiveness. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidy in the form of principal forgiveness. The Authority has four years to meet the requirement and Exhibit C will be updated in subsequent Annual Reports until the 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 2012 is attached in Exhibit D.

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

The Authority has fully met its State Match requirements through the end of SFY 2012 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 \$1.567 million of State Match in the DWSRF Loan Program in SFY 2012. To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the awarded \$200.3 million Capitalization Grants the Authority was required to match through June 30, 2012. See Exhibit E for a history of the Capitalization Grants awarded to the DWSRF Loan Program. Exhibit F details State Match deposited in the DWSRF through the end of SFY 2012, 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 2012, the DWSRF Loan Program closed 11 loans totaling \$58,737,612. Since the DWSRF Loan Program's inception in 1997, over 180 loans aggregating over approximately \$526 million have been closed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program (\$227,532,100). For a summary of all loans closed by the DWSRF Loan Program during SFY 2012, see Exhibit G.

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 \$290.1 million in outstanding principal as of June 30, 2012, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit H: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, and costs of issuance.

A. Interest Rates

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

Interest rates applied to new loans are reset on the first business day of each January, April, July and October using a Base DWSRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90% of the average 20-year, AAA-rated general obligation bond Municipal Market Data (MMD) composite index for the most recent calendar month. The Base Rate is then discounted further based upon a participant's Median Household Income (MHI) from the 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 2.00% to 3.47%, during SFY 2012. A summary of interest rates for each quarter of SFY 2012 is set forth in Exhibit I.

In SFY 2012, the subsidized DWSRF Loan Program interest rate provided an estimated savings of \$17,126,814 to participants who closed a DWSRF Loan Program loan. See "SRF Savings" column Exhibit G for savings provided to each participant.

B. Terms

Consistent with applicable law, all DWSRF Loan Program loans closed in SFY 2012 were structured with annual principal repayments that commenced no later than one year after expected completion of the proposed project and a final principal payment no later than 20 years after expected completion of the proposed project.

C. Other Assistance Provided

In SFY 2012, the DWSRF Loan Program provided \$525,612 of Additional Subsidy in the form of principal forgiveness to 2 loan recipients. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received principal forgiveness. Priority for additional subsidization was given to communities that could not otherwise afford such projects.

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

During SFY 2012, the DWSRF Loan Program provided \$38,261,000 of DWSRF Pooled Loans to four loan recipients. This program offers eligible participants the “AAA” interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

During SFY 2012, the DWSRF Loan Program did not provide any refinancing assistance.

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 2012, the DWSRF Loan Program collected \$9,000 in Loan Closing Fees. To date, the DWSRF Loan Program has not collected any Non-Use Fees.

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 2012. For a historic summary of transfers, see Exhibit J.

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 2012, which ended June 30, 2012, the DWSRF Loan Program received an unqualified opinion from an independent auditor, as described in Exhibit K.

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 2012, which ended June 30, 2012, 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 L.

H. Federal Requirements

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

- assurances and certifications provided in the IUP have been met;
- closed loans equal more than the required 120% of each quarterly Capitalization Grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been done in accordance with federal and state law. All loans made during the SFY 2012 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)

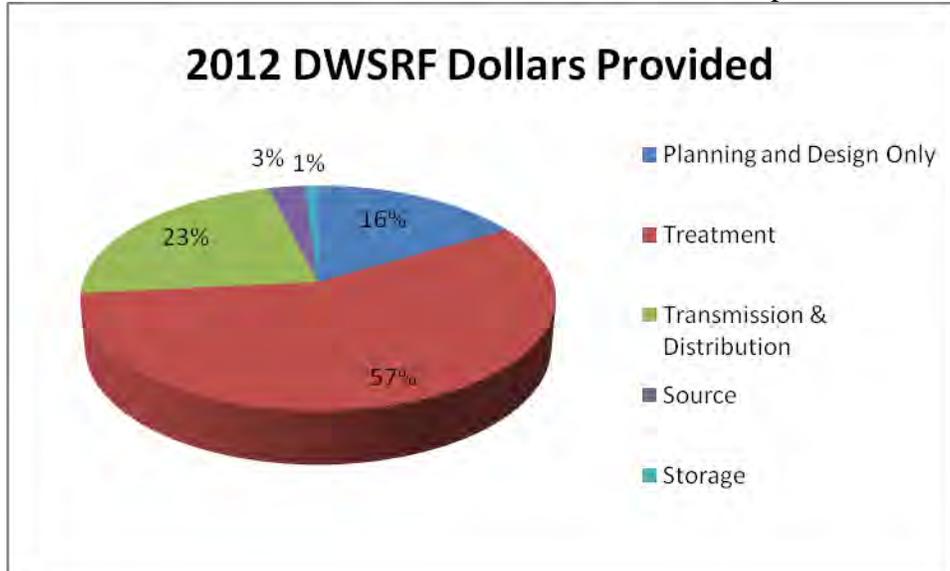
The DWSRF Loan Program complied with all requirements of 40 CFR Part 31.

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 2012 is attached as Exhibit M. A map showing the

location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit N.

Treatment projects accounted for 57% of the total DWSRF dollars provided in SFY 2012, as shown in the *2012 DWSRF Dollars Provided* pie chart below.



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

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

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

In SFY 2012, 100% of DWSRF dollars funded projects that assisted compliant systems maintain compliance with the SDWA.

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

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

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

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

In SFY 2012, 13% of DWSRF dollars funded systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 40% 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 2012, the Authority provided approximately \$41 million to 5 disadvantaged communities. The total disadvantaged population served was 588,385 persons.

Exhibit A
Goals and Objectives of the DWSRF Loan Program SFY 2012 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 2012, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

ST1 Goal: Seek the immediate award of the Federal Fiscal Year (FFY) 2012 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2012 Capitalization Grant can promptly be utilized.

Result: The FFY 2012 Capitalization Grant was awarded to the Authority on July 3, 2012. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2012 Capitalization Grant can be fully drawn, other than the amount set aside for Additional Subsidy.

ST1a Goal: Ensure that at least 20% but no more than 30% of the 2012 Capitalization Grant is used to provide Additional Subsidization in the form of principal forgiveness, negative interest loans or grants.

The Authority has not yet provided any principal forgiveness from the 2012 Capitalization Grant, but has four years to fulfill this requirement. The Authority did however provide \$525,612 of Additional Subsidy in SFY 2012 in the form of principle forgiveness to 2 loan recipients. In summary, as of June 30, 2012, the DWSRF Loan Program provided 31% of the 2010 Capitalization Grant and 17% of the 2011 Capitalization Grant in the form of principle forgiveness. See Exhibit C, Additional Subsidization by Capitalization Grant Year.

ST1b Goal: Ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under the 2012 Capitalization Grant.

The DWSRF Loan Program continues to ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds under the 2012 Capitalization Grant.

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

Result: In SFY 2012, 100% of DWSRF funds went towards projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act.

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 81 clean water and 18 drinking water inspections in SFY 2012.

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

Result: The following statistics demonstrate the excellent customer service provided by the DWSRF Loan Program. In SFY 2012, on average:

- 1. A completeness review was performed within 2 days of receipt of Preliminary Engineering Report (PER);**
- 2. A technical review was performed within 20 days;**

3. **An environmental review document was issued within 23 days;**
4. **A loan was closed within 20 of a PER being approved;**
5. **A loan was closed within 81 days of a PER being submitted.**

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: 11 loans were closed with interest rates ranging from 2.00% to 3.47%. See Exhibit I, Summary of Closed Loans for SFY 2012.

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

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

LT3 Goal: Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York, 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. The SRF Loan Program continuously accesses the State Board of Accounts website for Participants' financial statements as they become available. 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. For participants without a Paying Agent Agreement, the SRF Loan Program monitors debt service reserve balances by requesting the balance and a copy of the Participant's bank statement.

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.

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

LT7 Goal: Ensure that EPA funds are accessed within one week of being made available to the State.

Within one week of award, the SRF Loan Program utilizes the ASAP treasury system to access EPA funds as soon as possible.

LT8 Goal: Periodically publish an SRF Loan Program newsletter.

Result: In SFY 2012, newsletters were published in August 2011 and April 2012.

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

Result: The Authority is developing a detailed comprehensive project tracking system. This system should be online by the fall of 2012.

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

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

LT11 Goal: Work diligently with Participants who received ARRA funds to effectively manage their Projects so as to meet all of the requirements of the ARRA, including the following:

LT11a Goal: Ensure that none of the funds appropriated are 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.

LT11b 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.

ST3c Goal: Ensure that Davis-Bacon Act wage rules apply to all assistance agreements.

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

LT12 Goal: Report all uses of DWSRF funds in the Drinking Water Project Benefits Reporting database as required by the EPA and the Federal Funding Accountability and Transparency Act.

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

LT13 Goal: Ensure that the DWSRF Loan Program and its participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters and the Single Audit Act.

Result: Through various reports, audits, and comment periods, the Authority ensures that the DWSRF Loan Program and its participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters and the Single Audit Act.

LT14 Goal: Encourage the funding of green projects that qualify for the Green Project Reserve Sustainability Incentive.

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

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

In SFY 2012, green projects accounted for 94%, or \$14,065,113 of the 2012 Capitalization Grant. See Exhibit B, Green Project Reserve by Capitalization Grant Year.

LT15 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. Coordinate with the Indiana Department of Environmental Management (IDEM) to develop new Set-Aside programs as needed.

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

LT16 Goal: Provide at least 15% of DWSRF funds to systems serving fewer than 10,000 persons.

Result: In SFY 2012, 13% of DWSRF funds went to systems serving fewer than 10,000 persons. When the Authority provides assistance in an amount that is greater than 15 percent of the available funds in one year, it may credit the excess toward the 15 percent requirement in future years. Cumulatively, the DWSRF Loan Program has provided 40% of its funds to small systems.

LT17 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: In SFY 2012, the SRF loan program technical reviewers participated in on-site drinking water inspections to increase knowledge of terminology and design aspects. In addition, reviewers assisted with the review of water main replacement projects. In SFY 2013, the drinking water technical training course will continue with more on-site inspections, technical reviews focusing on water storage facilities and booster stations, and available seminars, conferences, and workshops to further knowledge of drinking water facilities.

LT18 Goal: Further enhance coordination with the Indiana Department of Environmental Management (IDEM)'s Drinking Water Branch and Enforcement Program to identify noncompliant systems that may benefit from DWSRF funding.

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

Indiana DWSRF Loan Program
Exhibit B - Green Project Reserve by Capitalization Grant

DWSRF Loan Program FFY 2012 Capitalization Grant =

20% Green Project Reserve =

94% Green Project Reserve Provided =

\$14,970,000

\$2,994,000

\$14,065,113

Community	Project Description	Total Project Cost	Total SRF Loan and Principal Forgiveness Amount	Green Project Description	Category 1: Green Infrastructure	Category 2: Water Efficiency	Category 3: Energy Efficiency	Category 4: Environmentally Innovative	Total Eligible GPR Cost (sum of Categories 1-4 plus engineering)	Business Case posted to the IFA website	Closing Date
Brownsburg	water treatment plant	\$4,750,000	\$4,750,000	Onsite NAOH generator, recycled pipe material, directional drilling	\$0	\$0	\$0	\$507,000	\$507,000	10/31/2011	10/26/2011
Fort Wayne	water utility improvements	\$26,906,000	\$26,906,000	water mains, UV, solar panels	\$0	\$2,088,000	\$458,410	\$8,118,000	\$10,664,410	10/31/2011	10/26/2011
Rensselaer	water treatment plant	\$4,445,000	\$4,445,000	VFDs, bio-retention	\$0	\$635,380	\$360,640	\$17,170	\$1,013,190	12/29/2011	12/14/2011
Bargersville (Phase 2)	well, treatment plant, mains	\$8,930,000	\$8,930,000	VFDs, water main, booster station	\$0	\$0	\$395,231	\$366,120	\$761,351	12/29/2011	12/19/2011
Yankeetown Water Authority	mains	\$1,970,000	\$1,970,000	water main replacement	\$0	\$1,119,162	\$0	\$0	\$1,119,162	12/29/2011	12/19/2011

FFY 2012 Capitalization Grant TOTAL

\$14,065,113

Indiana DWSRF Loan Program
Exhibit C - Additional Subsidization by Capitalization Grant

DWSRF Loan Program FFY 2010 Capitalization Grant = \$22,638,000
At Least 30% Additional Subsidization Required = \$6,791,400
31% Additional Subsidization Provided = \$7,000,000

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 ²
Indianapolis Water Company (Unserved Areas project)	9/16/2010	\$ -	\$ 318,388	\$ 318,388	5.00%	\$ 318,388	0.00%	\$ -
Glenwood	10/13/2010	\$ 269,000	\$ 87,000	\$ 356,000	5.00%	\$ 356,000	2.00%	\$ 329,023
Decatur County Rural Water	10/29/2010	\$ -	\$ 2,000,000	\$ 2,000,000	5.00%	\$ 2,000,000	0.00%	\$ -
Sugar Creek	10/29/2010	\$ 264,000	\$ 219,000	\$ 483,000	5.00%	\$ 483,000	2.48%	\$ 338,057
And-Tro Water Authority	1/19/2011	\$ 186,000	\$ 1,236,000	\$ 1,422,000	5.00%	\$ 1,422,000	3.12%	\$ 252,825
Walton	1/20/2011	\$ 752,474	\$ 2,889,000	\$ 3,641,474	5.00%	\$ 3,641,474	2.87%	\$ 999,442
Ingalls	9/15/2011	\$ 525,000	\$ 250,612	\$ 775,612	5.00%	\$ 775,612	2.97%	\$ 703,809

FFY 2010 Capitalization Grant TOTAL \$7,000,000

DWSRF Loan Program FFY 2011 Capitalization Grant = \$15,709,000
At Least 30% Additional Subsidization Required = \$4,712,700
17% Additional Subsidization Provided¹ = \$2,600,000

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 ²
LaPorte	6/30/2011	\$ 3,500,000	\$ 2,325,000	\$ 5,825,000	5.00%	\$ 9,348,261	3.62%	\$ 4,978,906
Yankeetown Water Authority	3/9/2012	\$ -	\$ 275,000	\$ 275,000	5.00%	\$ 441,334	0.00%	\$ -

FFY 2011 Capitalization Grant TOTAL \$ 2,600,000

DWSRF Loan Program FFY 2012 Capitalization Grant = \$14,970,000
At Least 30% Additional Subsidization Required = \$4,491,000
0% Additional Subsidization Provided¹ = \$0

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 ²

FFY 2012 Capitalization Grant TOTAL \$ -

TOTAL Additional Subsidization Provided \$9,600,000

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

² P & I = Principal and Interest

Exhibit D
SFY 2012 DWSRF Loan Program Project Descriptions

DWSRF Participant: Ingalls	
SRF Project #: DW 11014804	DWSRF Loan Amount: \$525,000
PWS ID #: IN 5248012	Principal Forgiveness: \$250,612
DWSRF Loan Closed: 9/15/2011	Total Loan and Principle Forgiveness: \$775,612
Project Type Categories:	Estimated SRF Savings: \$540,933
Treatment: \$59,312	Affected Population: 7,600
Transmission & Distribution: \$310,245	
Source: \$406,056	
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The wells at the Ingalls wellfield had experienced a severe production decrease due to contamination of aggressive bacteria. The bacteria were also responsible for the premature wear of the pumps. The utility also needed improvements at its water treatment plant. In response, the town installed two 500 gallons per minute groundwater wells, a 9,000 foot 12-inch transmission main, and an electrical generator. At the water treatment plant, the utility replaced a compressor, added an additional ozone generator and an in-line mixer. These improvements will allow the utility to continue to provide safe drinking water.	

DWSRF Participant: Bloomington	
SRF Project #: DW12025304	DWSRF Loan Amount: \$6,045,000
PWS ID #: IN 5253002	Principal Forgiveness: \$0
DWSRF Loan Closed: 10/26/2011	Total Loan and Principle Forgiveness: \$6,045,000
Project Type Categories:	Estimated SRF Savings: \$1,004,226
Planning and Design \$6,045,000	Affected Population: 69,241
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: The scope of this project is to finance a portion of the engineering, financial and legal professional services for the Monroe Water Treatment Plant Expansion and the Southeast Water System Improvement projects. The improvements are necessary for the city to comply with state and federal regulatory issues, meet existing and future water quantity demands, provide greater operational efficiencies, and to replace aging equipment that has gone beyond its useful life.	

DWSRF Participant: Brownsburg	
SRF Project #: DW 10133201	DWSRF Loan Amount: \$4,750,000
PWS ID #: IN 5232002	Principal Forgiveness: \$0
DWSRF Loan Closed: 10/26/2011	Total Loan and Principle Forgiveness: \$4,750,000
Project Type Categories:	Estimated SRF Savings: \$1,091,442
Treatment: \$4,236,027	Affected Population: 22,140
Transmission & Distribution: \$257,640	
Source: \$256,333	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: Brownsburg's water treatment plant (WTP) was over 40 years old and the majority of components had reached end of useful life. In addition, the WTP could no longer meet the currently average daily demand. In response, the town constructed a new 700 gallon per minute groundwater well, a 3.2 million gallon per day WTP, and new mains to connect to the distribution system to provide the needed supply and treatment capacity.</p>	

DWSRF Participant: Brownsburg	
SRF Project #: DW 10133202	DWSRF Loan Amount: \$987,000
PWS ID #: IN 5232002	Principal Forgiveness: \$0
DWSRF Loan Closed: 2/24/2012	Total Loan and Principle Forgiveness: \$987,000
Project Type Categories:	Estimated SRF Savings: \$252,239
Treatment: \$880,202	Affected Population: 22,140
Transmission & Distribution: \$53,535	
Source: \$53,263	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Brownsburg needed additional funds to complete its project, which was mostly financed by an October 2011 DWSRF loan. The water treatment plant (WTP) was over 40 years old and the majority of components had reached end of useful life. In addition, the WTP could no longer meet the currently average daily demand. In response, the town constructed a new 700 gallon per minute groundwater well, a 3.2 million gallon per day WTP, and new mains to connect to the distribution system to provide the needed supply and treatment capacity.</p>	

DWSRF Participant: Fort Wayne (02)	
SRF Project #: DW 11030202	DWSRF Loan Amount: \$3,094,000
PWS ID #: IN 5202020	Principal Forgiveness: \$0
DWSRF Loan Closed: 10/26/2011	Total Loan and Principle Forgiveness: \$3,094,000
Project Type Categories: Planning and Design \$3,094,000	Estimated SRF Savings: \$513,991
	Affected Population: 250,000
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The scope of this project is to finance a portion of the engineering, financial and legal professional services for the City of Fort Wayne 2011 Water Utility Improvements project. The improvements are necessary for the city to comply with state and federal regulatory issues, meet existing and future water quantity demands, provide greater operational efficiencies, and to replace aging equipment that has gone beyond its useful life.</p>	

DWSRF Participant: Fort Wayne (03)	
SRF Project #: DW 11030203	DWSRF Loan Amount: \$26,906,000
PWS ID #: IN 5202020	Principal Forgiveness: \$0
DWSRF Loan Closed: 10/26/2011	Total Loan and Principle Forgiveness: \$26,906,000
Project Type Categories: Treatment: \$23,367,877	Estimated SRF Savings: \$7,120,290
Transmission & Distribution: \$3,538,123	Affected Population: 250,000
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The City of Fort Wayne had various drinking water utility needs. First, the city needed to make improvements at its Three Rivers Filtration Plant in order to comply with Long Term 2 Enhanced Surface Water Treatment Rule. The city also needed to replace equipment that had gone beyond its useful life. Regarding storage, the city needed to improve the reliability and extend the useful life of its existing reservoirs.</p> <p>Concerning distribution system needs, the city identified approximately 1,160 miles of distribution water main with old cast iron or ductile iron water mains that suffer from main breaks. Also, the city needed to improve operations at the West Side Pump Station. Equipment was outdated and the West Side Pressure Zone distribution system experienced surge pressures. Lastly, the Northwest Pressure Zone distribution system required additional pumping capacity to meet the average day, maximum day and peak hour demands.</p> <p>In response, the city:</p> <ul style="list-style-type: none"> • Installed new UV disinfection equipment. • Installed piping extension of the high service discharge piping loop system. • Installed HVAC, electrical and piping modifications to the East Pump room. • Made improvements to the East Gatehouse, and constructed a new West Gatehouse. • Installed a new 24-inch diameter magnetic flow meter. 	

- Installed a new 250 kw generator for the UV disinfection system in case of power outage.
- Installed curtain baffling and made improvements at the North and South Reservoirs.
- Installed a new 16 MGD high service pump with associated drive equipment in the North Pump Station.
- Replaced approximately 24,450 feet of 4-, 6- and 8-inch diameter pipes with 8-inch high density polyethylene pipe.
- Upgraded instrumentation and the Supervisory Control and Data Acquisition (SCADA) system, and replaced pumps and controls at the West Side Pump Station.
- Upsized pumps and added new pumps at the Northwest Booster Pump Station No.1. and No. 2.
- Initiated the planning and design engineering services for future water main replacements projects.

DWSRF Participant: Rensselaer

SRF Project #: DW 10123702

DWSRF Loan Amount: \$4,445,000

PWS ID #: IN 5237005

Principal Forgiveness: \$0

Repayment Period: 20 yrs

Total Loan and Principle Forgiveness: \$4,445,000

DWSRF Loan Closed: 12/14/2011

Estimated SRF Savings: \$1,806,290

Project Type Categories:

Treatment: \$3,845,877
Storage: \$599,123

Affected Population: 6,263

This Project:

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

Project Description:

The Rensselaer Water Treatment plant had exceeded its life expectancy and was in need of rehabilitation and upgrades. No major process equipment upgrades had occurred since the 1978 plant expansion. In response, the city chose to optimize the existing system. This alternate included the replacement of several components of the existing plant including the aerator, corroded piping and valves, chemical feed equipment, filter and softener media, brine storage system, high service pumps, SCADA system, HVAC system, electrical system, and lighting. The alternative also included the decommissioning of the existing sedimentation basin in order to convert the space to work and storage areas.

In addition to needs at the Water Treatment plant, there was also a need for rehabilitation of the existing 200,000 gallon elevated storage tank, which was originally installed in 1958. No improvements to the tank had occurred since the mid-1980s. Improvements to the tank included: thoroughly cleaning the tank to remove sedimentation and deteriorating coatings, removal of interior and exterior coatings, repairs to the tank exterior, replacement of ladders, overflows, valves and other appurtenances, and application of new interior and exterior coatings.

DWSRF Participant: Bargersville	
SRF Project #: DW 12014102	DWSRF Loan Amount: \$8,930,000
PWS ID #: IN 5241001	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/19/2011	Total Loan and Principle Forgiveness: \$8,930,000
Project Type Categories:	Estimated SRF Savings: \$3,628,835
Treatment: \$1,021,502	Affected Population: 28,000
Transmission & Distribution: \$6,944,725	
Source: \$963,773	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The existing Bargersville water treatment plant (WTP) was operating in excess of 90 percent of its design capacity and had received an early warning letter from the Indiana Department of Environmental Management. The population in the 20-year service area is growing steadily, and peak demands have already surpassed the existing water treatment plant's design capacity. In August 2010, the WTP operated 24 hours per day for several consecutive days to meet demand. Additionally, there are no options for expansion around the existing WTP and well fields. Therefore, to meet the current and future water demands, the town constructed a new 6.0 million gallons per day WTP as Phase 1 of its drinking water project, which was described in the May 23, 2011 Environmental Assessment/Finding of No Significant Impact distributed by the State Revolving Fund (SRF) Loan Program. To supply the new WTP with raw water and to supply the system with finished water, the town implemented Phase II, which includes:</p> <ol style="list-style-type: none"> 1. Three new groundwater wells and approximately 3,700 feet of 24-inch diameter raw water line from the wells to the WTP. 2. Approximately 20,850 feet of 24-inch ductile iron transmission main from the new WTP to the existing Kinder Elevated Storage Tank. The purpose of the project is to transport finished drinking water from the new WTP to the rest of the Bargersville distribution system. 3. 2,000 gallons per minute booster station constructed next to the existing Kinder elevated storage tank. The booster station is necessary to pump drinking water into the Kinder elevated storage tank as well as add additional pressure to transport the finished water from the Kinder tank to Bargersville. A 300 kilowatt (KW) portable generator was purchased to operate the booster station and a groundwater well at an existing well field during electrical power outages. 4. Approximately 4,300 feet of 12-inch ductile iron (Whiteland Road and East Street) and 8,200 feet of 16-inch (SR 144) ductile iron water mains that are necessary to transport the finished drinking water from the Kinder Elevated Tank along SR 144 to other areas of the Bargersville service area, as well as providing adequate pressure, looping and water volume to existing areas within the Bargersville system. 5. Construction of an additional clarifier and Fluidized Bed Reactor at the new WTP site. The additional components are necessary to allow for the new WTP to properly treat up to 6.0 million gallons per day of drinking water in order to meet the maximum daily demand of the service area. 	
	
	<p><i>Photo: new water main in Bargersville</i></p>

DWSRF Participant: Yankeetown Water Authority	
SRF Project #: DW 10078702	DWSRF Loan Amount: \$1,970,000
PWS ID #: IN 5287008	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/19/2011	Total Loan and Principle Forgiveness: \$1,970,000
Project Type Categories: Transmission & Distribution: \$1,970,000	Estimated SRF Savings: \$800,538
	Affected Population: 1,500
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Yankeetown Water Authority needed to find an alternate source of supply for their water system as recommended by the Indiana Department of Environmental Management in order to provide redundancy in supply for the system. The Yankeetown water distribution system had experienced many issues in the past making it difficult to supply sufficient volume and pressures to customers. During the summer of 2009, the system experienced a major leak. The Yankeetown wells and water treatment plant were unable to supply enough water to fill the elevated storage tanks and to maintain pressures throughout the system. The water treatment plant was constructed in 1965 and is past its useful life. The distribution system has places that suffer from frequent breaks, which are thought to be due to poor construction conditions during initial installation. In response, the water authority negotiated a water purchase agreement with a neighboring utility and installed the necessary mains to connect. The water authority also replaced small and structurally unsound water mains in the distribution system. The total length of pipe installed was approximately 33,000 feet. These improvements will allow the Yankeetown Water Authority to provide reliable and safe water to its customers.</p>	
	
	<p><i>Photo: new water main in Yankeetown</i></p>

DWSRF Participant: Yankeetown Water Authority	
SRF Project #: DW 10078703	DWSRF Loan Amount: \$0
PWS ID #: IN 5287008	Principal Forgiveness: \$275,000
DWSRF Loan Closed: 3/9/2012	Total Loan and Principle Forgiveness: \$275,000
Project Type Categories: Transmission & Distribution: \$275,000	Estimated SRF Savings: \$275,000
	Affected Population: 1,500
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	

Project Description:

The Yankeetown Water Authority replaced small and structurally unsound water mains in the distribution system. The total length of pipe installed was approximately 6,200 feet. These improvements will allow the Yankeetown Water Authority to provide reliable and safe water to its customers

DWSRF Participant: Speedway

SRF Project #: DW 11074902

DWSRF Loan Amount: \$560,000

PWS ID #: IN 5249008

Principal Forgiveness: \$0

DWSRF Loan Closed: 10/26/2011

Total Loan and Principle Forgiveness: \$560,000

Project Type Categories:

Planning and Design \$560,000

Estimated SRF Savings: \$93,030

Affected Population: 12,881

This Project:

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

Project Description:

The scope of this project is to finance engineering, financial and legal professional services for the Speedway Water Works Improvement projects. The town proposes improvements to its surface water intake structure, surface water treatment plant, ground water treatment plant, and groundwater wells. The improvements are necessary for the town to comply with state and federal regulatory issues, meet existing and future water quantity demands, provide greater operational efficiencies, and to replace aging equipment that has gone beyond its useful life.

Exhibit E

Cumulative History of Federal DWSRF Capitalization Grants

FFY 1997 Federal Capitalization Grant	\$ 25,371,806
FFY 1998 Federal Capitalization Grant	\$ 8,687,500
FFY 1999 Federal Capitalization Grant	\$ 9,105,300
FFY 2000 Federal Capitalization Grant	\$ 8,989,850
FFY 2001 Federal Capitalization Grant	\$ 9,159,460
FFY 2002 Federal Capitalization Grant	\$ 8,955,100
FFY 2003 Federal Capitalization Grant	\$ 9,398,200
FFY 2004 Federal Capitalization Grant	\$ 9,749,300
FFY 2005 Federal Capitalization Grant	\$ 11,201,850
FFY 2006 Federal Capitalization Grant	\$ 12,166,734
FFY 2007 Federal Capitalization Grant	\$ 11,484,000
FFY 2008 Federal Capitalization Grant	\$ 11,367,000
FFY 2009 Federal Capitalization Grant	\$ 11,367,000
American Recovery and Reinvestment Act of 2009 Grant	\$ 27,212,000
FFY 2010 Federal Capitalization Grant	\$ 22,638,000
FFY 2011 Federal Capitalization Grant	\$ 15,709,000
FFY 2012 Federal Capitalization Grant	\$ 14,970,000
TOTAL GRANTS	\$ 227,532,100
TOTAL GRANTS REQUIRED TO MATCH	\$ 200,320,100

Exhibit F
Cumulative History of the State Match

The State deposited \$1.567 million of State Match in the DWSRF Loan Program in SFY 2012. To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the awarded \$200.3 million Capitalization Grants the Authority was required to match through June 30, 2012, which resulted 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)
4,437,000	Series 2010B State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2010)
1,567,051	Series 2011A State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2011)
\$40,270,020	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 2012 by \$206,000 (also known as over-match), which are banked toward future capitalization grants that are expected to be awarded in SFY 2013. 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 2013) to cash (and deposit it in the DWSRF) based upon incurred costs during SFY 2012, and banked as a result of it 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) Wastewater (WW) SRF’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 F-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 2012.

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 F - Schedule-1

<i>DRINKING WATER</i>								
Revenue Bonds	Original Par Amount of Bonds Designated as State Match	Par Amount retired during SFY Ending June 30						Remaining Par Amount of Bonds Designated as State Match
		2012	2011	2010	2009	2008	All Prior SFYs	
2001A	\$15,680,000	3,368,082	2,950,160	2,433,832	1,936,480	1,708,775	3,282,671	\$-
2004B	3,625,835	-	66,299	650,271	619,383	590,121	1,699,761	-
2006A	1,988,671	-	-	-	618,671	915,000	455,000	-
2006B	2,359,076	-	-	-	1,054,076	1,305,000	-	-
2007B	2,087,648	177,648	1,110,000	800,000	-	-	-	-
2009A	6,610,905	500,000	170,000	-	-	-	-	5,940,905
2010B	4,083,672	1,335,000	1,465,000	-	-	-	-	1,283,672
2011A	1,413,300	1,000,000	-	-	-	-	-	413,300
Total	\$37,849,107	\$6,380,730	\$5,761,459	\$3,884,103	\$4,228,610	\$4,518,896	\$5,437,432	\$7,637,877

Exhibit H
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 2012 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 2012 as well as loans anticipated to be closed in SFY 2013 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, 2012, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2013, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2012 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 2013 (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, 2012 and as anticipated in SFY 2013) is shown in the Use Schedule.⁸ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and treasury and/or agencies obligations.

Drinking Water Reserve Deficiency Account

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

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, 2012, 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 \$517.2 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 2013 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

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

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

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

Available Balance: No amounts were held in this account as of July 1, 2012 nor are any so anticipated in SFY 2013.

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 2013 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, 2012.

¹¹ In addition to meeting any Excess Commitments as of July 1, 2012, 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, 2012, (b) PERs submitted and under review by the DWSRF as of July 1, 2012 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2013), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2012 and as anticipated in SFY 2013) 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, 2012 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, 2012, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2012, (b) PERs submitted and under review by the DWSRF as of July 1, 2012 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2013), 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 2013. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and those anticipated to be closed in SFY 2013) in the event additional Guarantee Revenue Bonds could not be issued.

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

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

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2013 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 2013 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, 2012, about \$23.6 million has been transferred to DWSRF. As of July 1, 2012, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately \$66.1 million of allowable transfers which includes 33% of the FFY 2012 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 H - Schedule 1

	Account Balances* as of: 30-Jun-2012 (Actual)	Future Deposits in SFY
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ -	\$ -
	\$ -	\$ -
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 99,000,000	\$ -
Reserve Earnings Account	10,600,000	-
Reserve Deficiency Account	-	
Equity Grant Account	49,900,000	\$ 23,900,000
Equity Earnings Account	5,000,000	-
	\$ 164,500,000	\$ 23,900,000
Total Available Funds (A. and B. above)	\$ 164,500,000	\$ 23,900,000

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

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ -
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	25,500,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	200,000
PERs In-house (approved & under-review) Awaiting Loan Closing	104,600,000
Other Projects on new SFY's PPL, Requesting Loan Funding	9,900,000
1. Use: to cover Loan Demand***	140,200,000
2. Use: to cover Series Reserve Requirement	113,700,000
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	\$ 253,900,000

Uses of Funds (1 & 2 above):	\$ 253,900,000
Less: Total Available Funds (A. and B. above)	188,400,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"	\$ 65,500,000

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.

Exhibit H - Schedule 2
SRF INVESTMENT AGREEMENTS

Funds held in the Equity 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 ¹	Optional Termination Date ²	Scheduled Repayments of Invested Amounts ³
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/12	Any time	\$945,706
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 the greatest flexibility as is 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 Loan 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.

¹ If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

² 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).

³ 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 I
SFY 2012 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 2012	2.22%	2.47%	2.97%
2 nd Qtr SFY 2012	2.00%	2.04%	2.54%
3 rd Qtr SFY 2012	2.00%	2.04%	2.54%
4 th Qtr SFY 2012	2.00%	2.00%	2.03%
Tier II (MHI: \$33,670 to \$41,566)			
1 st Qtr SFY 2012	2.47%	2.72%	2.97%
2 nd Qtr SFY 2012	2.04%	2.29%	2.79%
3 rd Qtr SFY 2012	2.04%	2.29%	2.79%
4 th Qtr SFY 2012	2.00%	2.00%	2.28%
Tier I (MHI: over \$41,567)			
1 st Qtr SFY 2012	2.72%	2.97%	3.47%
2 nd Qtr SFY 2012	2.29%	2.54%	3.04%
3 rd Qtr SFY 2012	2.29%	2.54%	3.04%
4 th Qtr SFY 2012	2.00%	2.03%	2.53%

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

Exhibit J
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, 2012, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2012 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 2012, 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 2012.



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

COMBINED FINANCIAL STATEMENTS

June 30, 2012 and 2011

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

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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 (the Programs), an enterprise fund of the Indiana Finance Authority, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. 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 combined financial statements present only the State Revolving Fund Loan Programs, and do not purport to, and do not, present fairly the financial position of the Indiana Finance Authority, as of June 30, 2012 and 2011, 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, 2012 and 2011, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2012, 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.

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Katz, Sogow & Miller, LLP

Indianapolis, Indiana
September 28, 2012

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (Unaudited)
June 30, 2012

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, 2012. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net assets increased by \$83.2 million during the current fiscal year from \$1,082.7 million to \$1,165.9 million. Of this amount, \$64.7 million consists of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA). Included in that total is \$3.1 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 \$200 thousand. The net increase in debt is the result of the partial cash defeasance of the Series 2001A and 2002B bonds, the partial defeasance of Series 2001A, 2004B and 2004C for a total defeasance of \$177.6 million and scheduled principal payments totaling \$151.5 million offset by the issuance of \$329.3 million of new Series 2011A and 2012A bonds. Refinancing the Series 2001A, 2004B and 2004C with the Series 2012A bonds resulted in present value savings of \$17.4 million or 11.9% of the refunded bonds.

The SRF Programs disbursed \$212.4 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 Report does 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") (Unaudited)
June 30, 2012

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") (Unaudited)
June 30, 2012**

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 \$1,165.9 million at the close of the most recent fiscal year.

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

	2012	June 30, 2011	2010
Current assets	\$ 822,691	\$ 672,886	\$ 717,323
Noncurrent assets	<u>2,150,912</u>	<u>2,218,204</u>	<u>2,148,365</u>
Total Assets	<u>2,973,603</u>	<u>2,891,090</u>	<u>2,865,688</u>
Current liabilities	150,978	124,696	124,904
Long-term liabilities	<u>1,656,714</u>	<u>1,683,654</u>	<u>1,698,365</u>
Total Liabilities	<u>1,807,692</u>	<u>1,808,350</u>	<u>1,823,269</u>
Net Assets			
Restricted	<u>1,165,911</u>	<u>1,082,740</u>	<u>1,042,419</u>
Total Net Assets	<u>\$ 1,165,911</u>	<u>\$ 1,082,740</u>	<u>\$ 1,042,419</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 usually also increased to meet the needs of participants.

In fiscal year 2012, participant needs were met with EPA grants including additional funding made available by the American Recovery and Reinvestment Act of 2009 (ARRA), new bond issuances, and funds on hand. However, long-term liabilities decreased because the early defeasance of debt and scheduled principal payments exceeded the amount of new bond issuances.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (Unaudited)
June 30, 2012

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

	Years Ended June 30,		
	2012	2011	2010
Operating Revenues			
Interest-investments	\$ 56,123	\$ 18,862	\$ 32,395
Interest-participants	62,991	61,693	58,179
Other	<u>457</u>	<u>445</u>	<u>686</u>
Total operating revenues	<u>119,571</u>	<u>81,000</u>	<u>91,260</u>
Operating Expenses			
Interest	77,595	76,492	79,867
Amortization of deferred charges	1,230	1,238	958
Trustee fees	34	80	90
Other program and administrative	<u>2,629</u>	<u>4,397</u>	<u>3,040</u>
Total operating expenses	<u>81,488</u>	<u>82,207</u>	<u>83,955</u>
Operating Income (Loss)	38,083	(1,207)	7,305
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	64,720	85,400	129,790
Loan forgiveness	<u>(19,632)</u>	<u>(43,872)</u>	<u>(70,756)</u>
Total nonoperating revenues	<u>45,088</u>	<u>41,528</u>	<u>59,034</u>
Increase in Net Assets	83,171	40,321	66,339
Net Assets:			
Beginning of Year	<u>1,082,740</u>	<u>1,042,419</u>	<u>976,080</u>
End of Year	<u>\$ 1,165,911</u>	<u>\$ 1,082,740</u>	<u>\$ 1,042,419</u>

The SRF Programs' net assets increased by \$83.2 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$64.7 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes. Although lower than last year, EPA grant levels were higher than normal due to the additional funding made available by the ARRA. ARRA grants received in fiscal year 2012 totaled \$3.1 million.
- Interest income on investments and loans exceeded operating expenses by \$38 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") (Unaudited)
June 30, 2012

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 \$1.77 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)

	2012	June 30, 2011	2010
Net Bond Indebtedness	\$ 1,771,564	\$ 1,771,362	\$ 1,782,689

During the current fiscal year, the SRF Programs' debt increased by \$200 thousand. The net increase in debt is the result of the partial cash defeasance of the Series 2001A and 2002B bonds, the partial defeasance of Series 2001A, 2004B and 2004C for a total defeasance of \$177.6 million and scheduled principal payments totaling \$151.5 million offset by the issuance of \$329.3 million of new Series 2011A and 2012A bonds.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 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
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets:		
Cash and equivalents	\$ 639,104,724	\$ 520,772,125
Interest receivable	17,791,258	19,991,460
Due from EPA	43,261,669	38,284,978
Accounts receivable	-	422,086
Loans receivable, net	<u>122,533,621</u>	<u>93,414,969</u>
Total Current Assets	<u>822,691,272</u>	<u>672,885,618</u>
Noncurrent Assets:		
Investments	324,365,512	391,335,676
Loans receivable, net	1,817,985,847	1,818,610,241
Equipment, net	264,214	44,590
Deferred charges, net	<u>8,296,227</u>	<u>8,213,519</u>
Total Noncurrent Assets	<u>2,150,911,800</u>	<u>2,218,204,026</u>
Total Assets	<u>2,973,603,072</u>	<u>2,891,089,644</u>
LIABILITIES		
Current Liabilities:		
Interest payable	34,003,260	34,765,934
Accounts payable	295,096	381,773
Amount due to federal government	-	1,302,905
Bonds payable-current, net	<u>116,680,000</u>	<u>88,245,000</u>
Total Current Liabilities	<u>150,978,356</u>	<u>124,695,612</u>
Long-term Liabilities:		
Amount due to federal government	1,829,518	536,634
Bonds payable, net	<u>1,654,884,206</u>	<u>1,683,116,962</u>
Total Long-term Liabilities	<u>1,656,713,724</u>	<u>1,683,653,596</u>
Total Liabilities	<u>1,807,692,080</u>	<u>1,808,349,208</u>
NET ASSETS		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,165,910,992</u>	<u>\$ 1,082,740,436</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, 2012 and 2011

	2012	2011
OPERATING REVENUE		
Interest income-investments	\$ 56,122,555	\$ 18,862,184
Interest income-loan participants	62,990,925	61,692,618
Other	<u>457,404</u>	<u>444,808</u>
Total Operating Revenue	<u>119,570,884</u>	<u>80,999,610</u>
OPERATING EXPENSES		
Interest	77,595,325	76,492,305
Amortization of deferred charges	1,229,766	1,238,219
Trustee fees	34,253	79,538
Other program and administrative	<u>2,629,278</u>	<u>4,396,721</u>
Total Operating Expenses	<u>81,488,622</u>	<u>82,206,783</u>
OPERATING INCOME (LOSS)	38,082,262	(1,207,173)
NONOPERATING REVENUES (EXPENSES)		
Capital contributions	64,720,181	85,400,959
Loan forgiveness	<u>(19,631,887)</u>	<u>(43,872,079)</u>
Total Nonoperating Revenues (Expenses)	<u>45,088,294</u>	<u>41,528,880</u>
INCREASE IN NET ASSETS	83,170,556	40,321,707
NET ASSETS		
Beginning of Year	<u>1,082,740,436</u>	<u>1,042,418,729</u>
End of Year	<u>\$ 1,165,910,992</u>	<u>\$ 1,082,740,436</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, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (1,897,718)	\$ (1,128,443)
Administration fee	<u>27,000</u>	<u>26,061</u>
Net Cash Used by Operating Activities	<u>(1,870,718)</u>	<u>(1,102,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	183,962,882	118,195,473
Issuance of loans to participants	(212,457,140)	(221,882,135)
Change in investments	66,970,164	35,218,208
Interest received on loans and investments	121,313,682	86,693,982
Purchase of capital assets	<u>(219,624)</u>	<u>(22,011)</u>
Net Cash Provided by Investing Activities	<u>159,569,964</u>	<u>18,203,517</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	329,330,000	164,925,000
Principal payments to reduce indebtedness including refunding	(329,127,756)	(176,252,462)
Payment of debt issuance costs, net of refunding	(1,312,474)	(1,114,249)
Change in amount due to federal government	(10,021)	(3,407,861)
Interest paid on debt	<u>(78,357,999)</u>	<u>(76,794,211)</u>
Net Cash Used by Non-Capital Financing Activities	<u>(79,478,250)</u>	<u>(92,643,783)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	59,743,490	98,597,862
Issuance of forgivable loans to participants	<u>(19,631,887)</u>	<u>(43,872,079)</u>
Net Cash Provided by Capital Financing Activities	<u>40,111,603</u>	<u>54,725,783</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	118,332,599	(20,816,865)
CASH AND EQUIVALENTS		
Beginning of Year	<u>520,772,125</u>	<u>541,588,990</u>
End of Year	<u>\$ 639,104,724</u>	<u>\$ 520,772,125</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 38,082,262	\$ (1,207,173)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Interest income	(119,113,480)	(80,554,802)
Interest expense	77,595,325	76,492,305
Amortization of deferred charges	1,229,766	1,238,219
Changes in assets and liabilities:		
Accounts receivable	422,086	2,811,263
Accounts payable	<u>(86,677)</u>	<u>117,806</u>
Net Cash Used by Operating Activities	<u>\$ (1,870,718)</u>	<u>\$ (1,102,382)</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, 2012 and 2011

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 intra-entity accounts and transactions between the individual programs have been eliminated.

Basis of Presentation and Accounting: The SRF Programs are accounted for as Enterprise Funds. An Enterprise Fund is used to account for an operation where periodic determination of revenues earned, expenses incurred, and net income on an accrual basis is appropriate (accrual method). Accordingly, the SRF Programs 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 originally 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. Beginning in Federal fiscal year 2010, the ARRA and EPA grants awarded to the SRF Program required the 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 (CONTINUED)
Years Ended June 30, 2012 and 2011

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 Authority instead of the State or the Indiana Bond Bank. For years ending on, or before, June 30, 2005, these assets and liabilities of the SRF Programs were previously reported as part of the respective financial statements of the State and/or the Indiana Bond Bank.

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

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

If necessary, the capitalization grants are deposited into the SRF Programs accounts and are available to pay scheduled debt service on the Revenue Bonds. SRF Programs participant loan repayments and interest earned on the SRF Programs investments are used to meet the debt service obligations for the Revenue Bonds. States are required to provide an additional 20 percent of the federal capitalization grant as matching funds in order to receive a grant. SRF Programs matching funds have been provided through the issuance of revenue bonds payable 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, 2010A, 2010B, 2010C, 2011A, and 2012A 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 (CONTINUED)
Years Ended June 30, 2012 and 2011

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 amounts of revenues and expenses. Actual results could vary from the estimates 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 Programs 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, 2012 and 2011, 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. The allowance for doubtful accounts was \$128,474,833 and \$113,815,044 at June 30, 2012 and 2011, respectively.

Equipment: Equipment is recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Bond Discounts, Premiums, and Deferred Charges: Bond discount, premium and deferred charges are bond issuance costs, which are amortized using the interest method over the varying terms of the bonds issued.

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: Management has evaluated the combined financial statements for subsequent events occurring through September 28, 2012, the date the combined financial statements were available to be issued. See Note 11.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

A summary of cash, cash equivalents, and investments as of June 30, 2012 and 2011 follows:

	<u>2012</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 43,200	\$ 1	\$ 43,201
Money market funds	524,153,466	111,710,737	635,864,203
Guaranteed investment contracts	105,928,578	4,469,706	110,398,284
Government obligations	<u>150,863,740</u>	<u>66,300,808</u>	<u>217,164,548</u>
	<u>\$ 780,988,984</u>	<u>\$ 182,481,252</u>	<u>\$ 963,470,236</u>
	<u>2011</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 126,736	\$ -	\$ 126,736
Money market funds	399,281,966	80,730,663	480,012,629
Guaranteed investment contracts	172,546,680	32,725,367	205,272,047
Government obligations	<u>163,219,771</u>	<u>63,476,618</u>	<u>226,696,389</u>
	<u>\$ 735,175,153</u>	<u>\$ 176,932,648</u>	<u>\$ 912,107,801</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 2 - CASH, CASH EQUIVALMENTS AND INVESTMENTS (Continued)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2012, 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	\$ 524,153	\$ 524,153	\$ -	\$ -	\$ -
Guaranteed investment contracts	105,928	-	16,940	-	88,988
Government obligations	<u>150,864</u>	<u>2,370</u>	<u>25,750</u>	<u>93,707</u>	<u>29,037</u>
	<u>\$ 780,945</u>	<u>\$ 526,523</u>	<u>\$ 42,690</u>	<u>\$ 93,707</u>	<u>\$ 118,025</u>

	Drinking Water				
	Investment Maturities (in years)				
	Fair Value	< 1	1 - < 5	5 - < 10	> 10
Money market funds	\$ 111,711	\$ 111,711	\$ -	\$ -	\$ -
Guaranteed investment contracts	4,470	-	946	-	3,524
Government obligations	<u>66,301</u>	<u>828</u>	<u>25,063</u>	<u>27,680</u>	<u>12,730</u>
	<u>\$ 182,482</u>	<u>\$ 112,539</u>	<u>\$ 26,009</u>	<u>\$ 27,680</u>	<u>\$ 16,254</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, 2012:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAAmmf	Aaa-mf	\$ 166,243
	AAAm	unrated	Aaa-mf	274,394
	AAAm	AAAmmf	Aaa-mf	195,227
Guaranteed investment contracts	A-	unrated	A3	92,511
	unrated	unrated	unrated	17,887
Government obligations	AA+	AAA	AAA	165,129
	AA+	AAA	AAA	51,712
	AA+	unrated	AAA	<u>324</u>
Total Rated Investments				<u>\$ 963,427</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk: The 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, 2012:

Goldman Financial Square MM (FSMXX)	21%
JPMorgan Prime Mmkt Instit Fd 829	20%
Dreyfus Cash Management CI A Fd 288	17%
U.S. Treasury	17%
FSA Capital Management GIC	10%
Goldman Prime Financial Square MM (FPOXX)	8%
Federal Government Agency Debt	5%

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

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, 2012 and 2011 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, 2012	Loans Receivable as of June 30, 2011	Actual Loan Available Less Principal Repayments as of June 30, 2012
Wastewater Fund	\$ 1,584,876,781	\$ 1,598,289,303	\$ 1,835,533,849
Drinking Water Fund	<u>355,642,687</u>	<u>313,735,907</u>	<u>399,086,869</u>
Total All Loans	<u>\$ 1,940,519,468</u>	<u>\$ 1,912,025,210</u>	<u>\$ 2,234,620,718</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 \$122,533,621 at June 30, 2012 and \$93,414,969 at June 30, 2011.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 3 - LOANS RECEIVABLE (Continued)

As of June 30, 2012, 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, 2012	Loans Receivable as of June 30, 2011	Actual Loan Available Less Principal Repayments as of June 30, 2012
Wastewater Fund			
City of Indianapolis	\$ 335,702,000	\$ 409,151,478	\$ 335,702,000
City of Evansville	88,023,060	76,727,421	100,874,510
City of Fort Wayne	87,835,320	82,964,602	113,572,651
City of Columbus	77,911,000	81,477,000	77,911,000
City of Lafayette	45,061,080	48,273,974	45,061,080
City of Mishawaka	38,395,155	38,135,468	38,617,000
City of New Albany	38,114,888	34,401,900	39,292,000
City of Hammond	34,455,000	37,430,000	34,455,000
City of West Lafayette	33,940,000	33,903,763	33,940,000
City of Jeffersonville	33,740,843	13,887,920	57,952,773
Drinking Water Fund			
City of Fort Wayne	\$ 53,290,000	\$ 25,160,000	\$ 53,290,000
City of East Chicago	40,045,000	41,910,000	40,045,000
City of Bloomington	22,281,000	17,648,000	22,281,000
City of Greensburg	14,345,900	14,587,450	14,345,900
City of Mishawaka	13,980,000	15,165,000	13,980,000
Town of Bargersville	12,655,184	52,844	19,575,000
City of Huntington	10,205,000	10,383,000	10,205,000
City of Martinsville	8,506,424	8,891,424	8,685,000
City of Michigan City	5,984,916	6,024,916	5,984,916

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 4 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2012:

	Investments	Loans	Total
Wastewater	\$ 3,064,012	\$ 12,782,487	\$ 15,846,499
Drinking Water	<u>328,034</u>	<u>1,616,725</u>	<u>1,944,759</u>
	<u>\$ 3,392,046</u>	<u>\$ 14,399,212</u>	<u>\$ 17,791,258</u>

Interest receivable at June 30, 2011:

	Investments	Loans	Total
Wastewater	\$ 4,075,687	\$ 13,635,372	\$ 17,711,059
Drinking Water	<u>905,081</u>	<u>1,375,320</u>	<u>2,280,401</u>
	<u>\$ 4,980,768</u>	<u>\$ 15,010,692</u>	<u>\$ 19,991,460</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 \$14,906,982 and \$12,916,418 at June 30, 2012 and 2011, respectively. The net unamortized deferred charges were \$8,296,227 and \$8,213,519 at June 30, 2012 and 2011, respectively. At June 30, 2012, the estimated future amortization of deferred charges is as follows:

June 30, 2013	\$ 1,197,044
June 30, 2014	1,042,982
June 30, 2015	934,794
June 30, 2016	852,412
June 30, 2017	765,459
Thereafter	<u>3,503,536</u>
	<u>\$ 8,296,227</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

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, 2012, are recorded in the current portion and the long-term portion. With respect to such bonds, as of June 30, 2012, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2004B		
Wastewater Fund	\$ 994,367	January 31, 2014
Drinking Water Fund	195,673	January 31, 2014
2006B		
Wastewater Fund	524,400	January 31, 2016
Drinking Water Fund	<u>115,078</u>	January 31, 2016
	<u>\$ 1,829,518</u>	

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE

Bonds payable at June 30, 2012 and 2011 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2012	2011
<u>Wastewater Fund:</u>		
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, \$126,070,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 126,070,000	\$ -
Series 2011A Bonds issued October 26, 2011 for the Aggregate amount of \$191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, \$140,515,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	78,245,000	-
Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, \$57,370,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	57,370,000	57,370,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$80,000,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	72,090,000	74,000,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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.	\$ 245,630,000	\$ 246,170,000
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	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.	62,375,000	63,940,000
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
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.	101,710,000	105,265,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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.	\$ 155,775,000	\$ 164,160,000
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.	173,015,000	181,420,000
Series 2004C Bonds issued June 23, 2004 for the aggregate amount of \$200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%. In February 2010, \$31,640,000 was refunded. In February 2012, \$82,335,000 was refunded. The remaining \$44,105,000 matures from February 1, 2013 to February 1, 2027.	44,105,000	133,340,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$167,480,000 was the final allocation to the WSRF program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$13,549,109 was refunded. In October 2010, \$6,528,667 was refunded. In February 2012, \$38,610,798 was refunded. The remaining \$79,638,618 matures from February 1, 2013 to February 1, 2025.	79,638,618	125,556,013

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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%.	\$ -	\$ 12,235,000
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. In October 2010, \$6,705,000 was refunded. The remaining \$16,583,888 matures from February 1, 2013 to February 1, 2024.	6,949,943	9,878,888
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%.	1,400,000	11,185,000
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. In October 2010, \$45,540,603 was refunded. In February 2012, \$13,641,047 was refunded. The remaining \$19,316,977 matures from February 1, 2013 to February 1, 2023.	<u>15,316,977</u>	<u>67,635,627</u>
Subtotal-Wastewater	<u>\$ 1,402,180,538</u>	<u>\$ 1,434,645,528</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
<u>Drinking Water Fund:</u>		
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, \$11,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 11,875,000	\$ -
Series 2011A Bonds issued October 26, 2011 for the aggregate amount of \$191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, \$50,870,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	49,870,000	-
Series 2010C Refunding Bonds issued October 20, 2010 for The aggregate amount of \$64,925,000 to refund the callable Portion of Series 2001A, 2002B and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at interest rate of 5.00%. Of this, \$7,555,000 was allocated to the DWSRF Program based upon the percentage of the original bond Proceeds allocated to each program.	7,555,000	7,555,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$20,000,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	17,200,000	18,535,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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.	\$ 42,090,000	\$ 42,165,000
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$17,755,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	17,085,000	17,585,000
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.	25,170,000	26,315,000
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.	8,810,000	9,035,000
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.	22,320,000	24,055,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011**

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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.	\$ 13,135,000	\$ 13,980,000
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, \$77,535,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	53,595,000	57,035,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$2,310,891 was refunded. In October 2010, \$1,201,333 was refunded. In February 2012, \$7,669,202 was refunded. The remaining \$15,671,382 matures from February 1, 2013 to February 1, 2025.	15,671,382	24,758,987
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, \$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.	1,905,057	6,861,112

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 7 - BONDS PAYABLE (Continued)

	2012	2011
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. In October 2010, \$6,559,397 was refunded. In February 2012, \$4,073,593 was refunded. The remaining \$3,823,023 matures from February 1, 2013 to February 1, 2023.	<u>\$ 3,823,023</u>	<u>\$ 21,739,373</u>
Subtotal-Drinking Water	<u>290,104,462</u>	<u>269,619,472</u>
Total Principal	1,692,285,000	1,704,265,000
Loss on refunding	(34,007,882)	(27,743,968)
Net premium on bonds payable	<u>113,287,088</u>	<u>94,840,930</u>
Total Bonds Payable	1,771,564,206	1,771,361,962
Less: Current portion	<u>116,680,000</u>	<u>88,245,000</u>
Long-term Portion	<u>\$ 1,654,884,206</u>	<u>\$ 1,683,116,962</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.

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.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 7 - BONDS PAYABLE (Continued)

The Authority cash defeased the remaining maturities of the Series 1998A Bonds in September 2010. All bonds were redeemed and are no longer outstanding.

In October 2010, the Authority issued Series 2010C Refunding Bonds for the aggregate amount of \$64,925,000. The bonds were sold at a premium and refunded \$66,535,000 of prior debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2001A, 2002B and 2004B Bonds. Debt service payments on the new bonds are \$3,541,767 less than on the refunded bonds and the economic gain was \$2,902,053.

In February 2012, the Authority issued Series 2012A Refunding Bonds for the aggregate amount of \$137,945,000. The bonds were sold at a premium and refunded \$146,330,000 of prior debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2001A, 2004B and 2004C Bonds. Debt service payments on the new bonds are \$23,921,410 less than on the refunded bonds and the economic gain was \$17,365,514.

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 \$500,520,000 and \$369,625,000 as of June 30, 2012 and 2011, respectively.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 7 - BONDS PAYABLE (Continued)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2012, are as follows:

	Principal			Interest			Debt Service Total
	Wastewater Fund	Drinking Water Fund	Total	Wastewater Fund	Drinking Water Fund	Total	
2013	\$ 101,255,753	\$ 15,424,247	\$ 116,680,000	\$ 67,521,574	\$ 13,901,454	\$ 81,423,028	\$ 198,103,028
2014	86,097,192	14,837,808	100,935,000	63,047,558	13,257,817	76,305,375	177,240,375
2015	102,992,319	17,797,681	120,790,000	59,065,448	12,594,427	71,659,875	192,449,875
2016	92,640,000	19,695,000	112,335,000	54,298,032	11,793,593	66,091,625	178,426,625
2017	94,116,233	20,683,767	114,800,000	50,051,495	10,874,693	60,926,188	175,726,188
2018-2022	495,934,041	105,245,959	601,180,000	177,427,049	38,551,426	215,978,475	817,158,475
2023-2027	336,130,000	68,145,000	404,275,000	67,402,113	16,548,556	83,950,669	488,225,669
2028-2030	<u>93,015,000</u>	<u>28,275,000</u>	<u>121,290,000</u>	<u>8,319,713</u>	<u>2,650,200</u>	<u>10,969,913</u>	<u>132,259,913</u>
	1,402,180,538	290,104,462	1,692,285,000	547,132,982	120,172,166	667,305,148	2,359,590,148
Loss on Refunding	(29,839,142)	(4,168,740)	(34,007,882)	-	-	-	(34,007,882)
Premium	<u>94,532,267</u>	<u>18,754,821</u>	<u>113,287,088</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,287,088</u>
Total	<u>\$1,466,873,663</u>	<u>\$304,690,543</u>	<u>\$1,771,564,206</u>	<u>\$ 547,132,982</u>	<u>\$ 120,172,166</u>	<u>\$ 667,305,148</u>	<u>\$ 2,438,869,354</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

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%-5.50%	2013-2030	\$ 23,670,000 - \$107,265,320	\$ 1,402,180,538
Drinking Water Fund	2.00%-5.50%	2013-2030	7,585,000 - 24,025,000	<u>290,104,462</u>
Combined Programs	2.00%-5.50%	2013-2030	31,255,000 - 126,270,000	1,692,285,000
Less: Current Portion				<u>116,680,000</u>
Total Long-term Portion				<u>\$ 1,575,605,000</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2012 and 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2012:						
Amount due to federal government	\$ 1,839,539	\$ 1,292,884	\$ 1,302,905	\$ 1,829,518	\$ -	\$ 1,829,518
Bonds payable	1,704,265,000	329,330,000	341,310,000	1,692,285,000	116,680,000	1,575,605,000
Loss on refunding	(27,743,968)	11,317,502	5,053,588	(34,007,882)	-	(34,007,882)
Net premium on bonds payable	<u>94,840,930</u>	<u>36,225,159</u>	<u>17,779,001</u>	<u>113,287,088</u>	<u>-</u>	<u>113,287,088</u>
	<u>\$ 1,773,201,501</u>	<u>\$ 355,530,541</u>	<u>\$ 355,338,318</u>	<u>\$1,773,393,724</u>	<u>\$ 116,680,000</u>	<u>\$ 1,656,713,724</u>
June 30, 2011:						
Amount due to federal government	\$ 5,247,400	\$ 925,176	\$ 4,333,037	\$ 1,839,539	\$ 1,302,905	\$ 536,634
Bonds payable	1,719,615,000	164,925,000	180,275,000	1,704,265,000	88,245,000	1,616,020,000
Loss on refunding	(26,605,175)	5,539,847	6,678,640	(27,743,968)	-	(27,743,968)
Net premium on bonds payable	<u>89,679,599</u>	<u>19,648,109</u>	<u>14,486,778</u>	<u>94,840,930</u>	<u>-</u>	<u>94,840,930</u>
	<u>\$ 1,787,936,824</u>	<u>\$ 191,038,132</u>	<u>\$ 205,773,455</u>	<u>\$1,773,201,501</u>	<u>\$ 89,547,905</u>	<u>\$ 1,683,653,596</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
Years Ended June 30, 2012 and 2011

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, 2012, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2012 could be so transferred on a net cumulative basis between the two SRF Programs funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2012, 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, 2012 and 2011, program revenues consisted of the following:

	2012	2011
Interest and other income	\$ 119,570,884	\$ 80,999,610
Capital grants and contributions	<u>64,720,181</u>	<u>85,400,959</u>
	<u>\$ 184,291,065</u>	<u>\$ 166,400,569</u>

NOTE 11 - SUBSEQUENT EVENTS

On August 30, 2012, the Authority issued 2012B SRF Programs Bonds for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$122,110,000 was allocated to the WSRF Program, and \$17,145,000 was allocated to the DWSRF Program, based upon the percentage of original bond proceeds allocated to each program.

SUPPLEMENTARY INFORMATION

*Independent Auditors' Report
on Supplementary Information*

Members of the 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 years ended June 30, 2012 and 2011, and our report thereon dated September 28, 2012, which expressed an unqualified opinion on the combined financial statements appears on pages 1-2. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining schedules are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, change in financial position and cash flows of the individual programs, and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 28, 2012

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET ASSETS INFORMATION
June 30, 2012 and 2011

	Wastewater Program		Drinking Water Program		Combined	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current Assets:						
Cash and equivalents	\$ 526,566,124	\$ 434,999,778	\$ 112,538,600	\$ 85,772,347	\$ 639,104,724	\$ 520,772,125
Interest receivable-investments	3,064,012	4,075,687	328,034	905,081	3,392,046	4,980,768
Interest receivable-loans	12,782,487	13,635,372	1,616,725	1,375,320	14,399,212	15,010,692
Due from EPA	31,261,000	27,548,683	12,000,669	10,736,295	43,261,669	38,284,978
Accounts receivable	-	422,086	-	-	-	422,086
Loans receivable, net	106,972,953	79,136,513	15,560,668	14,278,456	122,533,621	93,414,969
Total Current Assets	<u>680,646,576</u>	<u>559,818,119</u>	<u>142,044,696</u>	<u>113,067,499</u>	<u>822,691,272</u>	<u>672,885,618</u>
Noncurrent Assets:						
Investments	254,422,860	300,175,375	69,942,652	91,160,301	324,365,512	391,335,676
Loans receivable, net	1,477,903,828	1,519,152,790	340,082,019	299,457,451	1,817,985,847	1,818,610,241
Equipment, net	202,047	30,423	62,167	14,167	264,214	44,590
Deferred charges, net	6,834,973	6,924,261	1,461,254	1,289,258	8,296,227	8,213,519
Total Noncurrent Assets	<u>1,739,363,708</u>	<u>1,826,282,849</u>	<u>411,548,092</u>	<u>391,921,177</u>	<u>2,150,911,800</u>	<u>2,218,204,026</u>
Total Assets	<u>2,420,010,284</u>	<u>2,386,100,968</u>	<u>553,592,788</u>	<u>504,988,676</u>	<u>2,973,603,072</u>	<u>2,891,089,644</u>
LIABILITIES						
Current Liabilities:						
Interest payable	28,188,900	29,286,022	5,814,360	5,479,912	34,003,260	34,765,934
Accounts payable	264,430	358,386	30,666	23,387	295,096	381,773
Amount due to federal government	-	1,135,431	-	167,474	-	1,302,905
Bonds payable-current, net	101,255,753	74,143,001	15,424,247	14,101,999	116,680,000	88,245,000
Total Current Liabilities	<u>129,709,083</u>	<u>104,922,840</u>	<u>21,269,273</u>	<u>19,772,772</u>	<u>150,978,356</u>	<u>124,695,612</u>
Long-term Liabilities:						
Amount due to federal government	1,518,767	448,243	310,751	88,391	1,829,518	536,634
Bonds payable, net	1,365,617,910	1,416,842,065	289,266,296	266,274,897	1,654,884,206	1,683,116,962
Total Long-term Liabilities	<u>1,367,136,677</u>	<u>1,417,290,308</u>	<u>289,577,047</u>	<u>266,363,288</u>	<u>1,656,713,724</u>	<u>1,683,653,596</u>
Total Liabilities	<u>1,496,845,760</u>	<u>1,522,213,148</u>	<u>310,846,320</u>	<u>286,136,060</u>	<u>1,807,692,080</u>	<u>1,808,349,208</u>
NET ASSETS						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 923,164,524</u>	<u>\$ 863,887,820</u>	<u>\$ 242,746,468</u>	<u>\$ 218,852,616</u>	<u>\$ 1,165,910,992</u>	<u>\$ 1,082,740,436</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, 2012 and 2011

	Wastewater Program		Drinking Water Program		Combined	
	2012	2011	2012	2011	2012	2011
OPERATING REVENUE						
Interest income-investments	\$ 42,055,531	\$ 14,647,112	\$ 14,067,024	\$ 4,215,072	\$ 56,122,555	\$ 18,862,184
Interest income-loan participants	52,116,174	52,341,579	10,874,751	9,351,039	62,990,925	61,692,618
Other	18,000	19,000	439,404	425,808	457,404	444,808
Total Operating Revenue	<u>94,189,705</u>	<u>67,007,691</u>	<u>25,381,179</u>	<u>13,991,919</u>	<u>119,570,884</u>	<u>80,999,610</u>
OPERATING EXPENSES						
Interest	64,602,379	64,564,773	12,992,946	11,927,532	77,595,325	76,492,305
Amortization of deferred charges	1,015,824	1,042,116	213,942	196,103	1,229,766	1,238,219
Trustee fees	34,253	79,538			34,253	79,538
Other program and administrative	2,132,858	3,681,921	496,420	714,800	2,629,278	4,396,721
Total Operating Expenses	<u>67,785,314</u>	<u>69,368,348</u>	<u>13,703,308</u>	<u>12,838,435</u>	<u>81,488,622</u>	<u>82,206,783</u>
OPERATING INCOME (LOSS)	26,404,391	(2,360,657)	11,677,871	1,153,484	38,082,262	(1,207,173)
NONOPERATING REVENUES (EXPENSES)						
Capital Contributions	45,939,888	65,767,047	18,780,293	19,633,912	64,720,181	85,400,959
Loan Forgiveness	(13,067,575)	(34,765,882)	(6,564,312)	(9,106,197)	(19,631,887)	(43,872,079)
Total Nonoperating Revenues (Expenses)	<u>32,872,313</u>	<u>31,001,165</u>	<u>12,215,981</u>	<u>10,527,715</u>	<u>45,088,294</u>	<u>41,528,880</u>
INCREASE IN NET ASSETS	59,276,704	28,640,508	23,893,852	11,681,199	83,170,556	40,321,707
NET ASSETS						
Beginning of Year	<u>863,887,820</u>	<u>835,247,312</u>	<u>218,852,616</u>	<u>207,171,417</u>	<u>1,082,740,436</u>	<u>1,042,418,729</u>
End of Year	<u>\$ 923,164,524</u>	<u>\$ 863,887,820</u>	<u>\$ 242,746,468</u>	<u>\$ 218,852,616</u>	<u>\$ 1,165,910,992</u>	<u>\$ 1,082,740,436</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2012 and 2011

	Wastewater Program		Drinking Water Program		Combined	
	2012	2011	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (1,838,981)	\$ (1,859,777)	\$ (58,737)	\$ 731,334	\$ (1,897,718)	\$ (1,128,443)
Administration fee	18,000	19,000	9,000	7,061	27,000	26,061
Net Cash Provided (Used) by Operating Activities	<u>(1,820,981)</u>	<u>(1,840,777)</u>	<u>(49,737)</u>	<u>738,395</u>	<u>(1,870,718)</u>	<u>(1,102,382)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	158,031,390	101,433,749	25,931,492	16,761,724	183,962,882	118,195,473
Issuance of loans to participants	(144,618,868)	(167,253,098)	(67,838,272)	(54,629,037)	(212,457,140)	(221,882,135)
Change in investments	45,752,515	31,865,768	21,217,649	3,352,440	66,970,164	35,218,208
Interest received on loans and investments	96,036,265	72,239,427	25,277,417	14,454,555	121,313,682	86,693,982
Purchase of capital assets	(171,624)	(14,011)	(48,000)	(8,000)	(219,624)	(22,011)
Net Cash Provided (Used) by Investing Activities	<u>155,029,678</u>	<u>38,271,835</u>	<u>4,540,286</u>	<u>(20,068,318)</u>	<u>159,569,964</u>	<u>18,203,517</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	266,585,000	137,370,000	62,745,000	27,555,000	329,330,000	164,925,000
Principal payments to reduce indebtedness including refunding	(290,696,403)	(151,445,578)	(38,431,353)	(24,806,884)	(329,127,756)	(176,252,462)
Payment of debt issuance costs, net of refunding	(926,536)	(929,340)	(385,938)	(184,909)	(1,312,474)	(1,114,249)
Change in amount due to federal government	(64,907)	(2,917,070)	54,886	(490,791)	(10,021)	(3,407,861)
Interest paid on debt	(65,699,501)	(64,887,257)	(12,658,498)	(11,906,954)	(78,357,999)	(76,794,211)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(90,802,347)</u>	<u>(82,809,245)</u>	<u>11,324,097</u>	<u>(9,834,538)</u>	<u>(79,478,250)</u>	<u>(92,643,783)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital contributions (EPA Grants)	42,227,571	74,515,005	17,515,919	24,082,857	59,743,490	98,597,862
Issuance of forgivable loans to participants	(13,067,575)	(34,765,882)	(6,564,312)	(9,106,197)	(19,631,887)	(43,872,079)
Net Cash Provided by Capital Financing Activities	<u>29,159,996</u>	<u>39,749,123</u>	<u>10,951,607</u>	<u>14,976,660</u>	<u>40,111,603</u>	<u>54,725,783</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	91,566,346	(6,629,064)	26,766,253	(14,187,801)	118,332,599	(20,816,865)
CASH AND EQUIVALENTS						
Beginning of Year	434,999,778	441,628,842	85,772,347	99,960,148	520,772,125	541,588,990
End of Year	<u>\$ 526,566,124</u>	<u>\$ 434,999,778</u>	<u>\$ 112,538,600</u>	<u>\$ 85,772,347</u>	<u>\$ 639,104,724</u>	<u>\$ 520,772,125</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income	\$ 26,404,391	\$ (2,360,657)	\$ 11,677,871	\$ 1,153,484	\$ 38,082,262	\$ (1,207,173)
Adjustments to reconcile operating income to net cash used by operating activities:						
Interest income	(94,171,705)	(66,988,691)	(24,941,775)	(13,566,111)	(119,113,480)	(80,554,802)
Interest expense	64,602,379	64,564,773	12,992,946	11,927,532	77,595,325	76,492,305
Amortization of deferred charges	1,015,824	1,042,116	213,942	196,103	1,229,766	1,238,219
Changes in assets and liabilities:						
Accounts receivable	422,086	1,807,263	-	1,004,000	422,086	2,811,263
Accounts payable	(93,956)	94,419	7,279	23,387	(86,677)	117,805
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,820,981)</u>	<u>\$ (1,840,777)</u>	<u>\$ (49,737)</u>	<u>\$ 738,395</u>	<u>\$ (1,870,718)</u>	<u>\$ (1,102,382)</u>



**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, 2012

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

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*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, 2012

Members of the 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, 2012, and have issued our report thereon dated September 28, 2012. 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

Management of the State Revolving Fund Loan Programs is responsible for establishing and maintaining effective 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 previously.

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, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Agnew & Miller, LLP

Indianapolis, Indiana
September 28, 2012

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18000110-0	\$ 49,104,000	\$ 4,037,757
	66.458	CS 18000111-0	35,588,000	7,984,622
	66.458	CS 18000112-0	34,061,000	<u>31,261,000</u>
				43,283,379
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001	94,447,500	<u>2,656,509</u> *
				<u>45,939,888</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548608-0	100,000	100,000
	66.468	FS98548610-0	22,185,240	4,123,155
	66.468	FS98548610-0	452,760	330,404
	66.468	FS98548611-0	15,394,820	2,281,913
	66.468	FS98548612-0	14,970,000	<u>11,970,000</u>
				18,805,472
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-00E72901	27,212,000	<u>405,225</u> *
				<u>19,210,697</u>
				<u><u>\$ 65,150,585</u></u>

* Grant relates to the American Recovery and Reinvestment Act of 2009 (ARRA).

See accompanying notes to schedule of expenditures of federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

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	\$43,283,379
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	2,656,509
Capitalization Grants for Drinking Water State Revolving Funds	66.468	18,375,068
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	405,225

Loans forgiven during fiscal year 2012 and included on the schedule of federal expenditures totaled \$19,631,887.

*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, 2012

Members of the 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 the State Revolving Fund Loan Programs' major federal programs for the year ended June 30, 2012. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, 2012.

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, 2012, and have issued our report thereon dated September 28, 2012, which contained an unqualified opinion on those combined financial statements. Our audit was conducted for the purpose of forming our opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

This report is intended solely for the information and use of management, Members of the Indiana Finance Authority, federal awarding agencies, and pass-through entities 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 28, 2012

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012**

SECTION I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between
type A and type B programs:

\$1,954,518

Auditee qualified as low-risk auditee?

yes no

SECTION II – Financial Statement Findings

None

SECTION III – Federal Award Findings and Questioned Costs

None

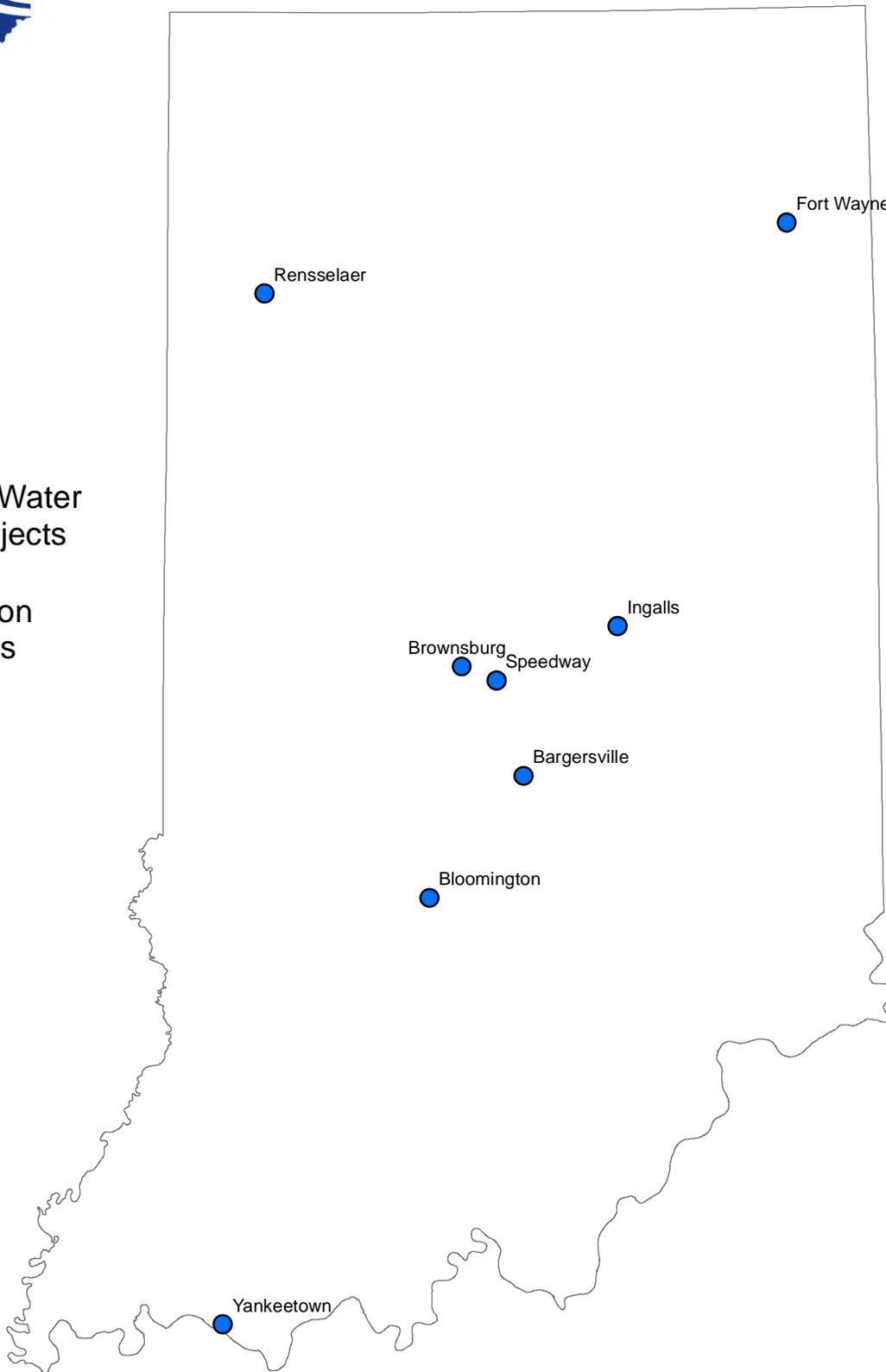
Drinking Water Projects Closed in State Fiscal Year 2012
(July 1, 2011 - June 30, 2012)



Legend

● Drinking Water
2012 Projects

\$ 59 million
11 loans



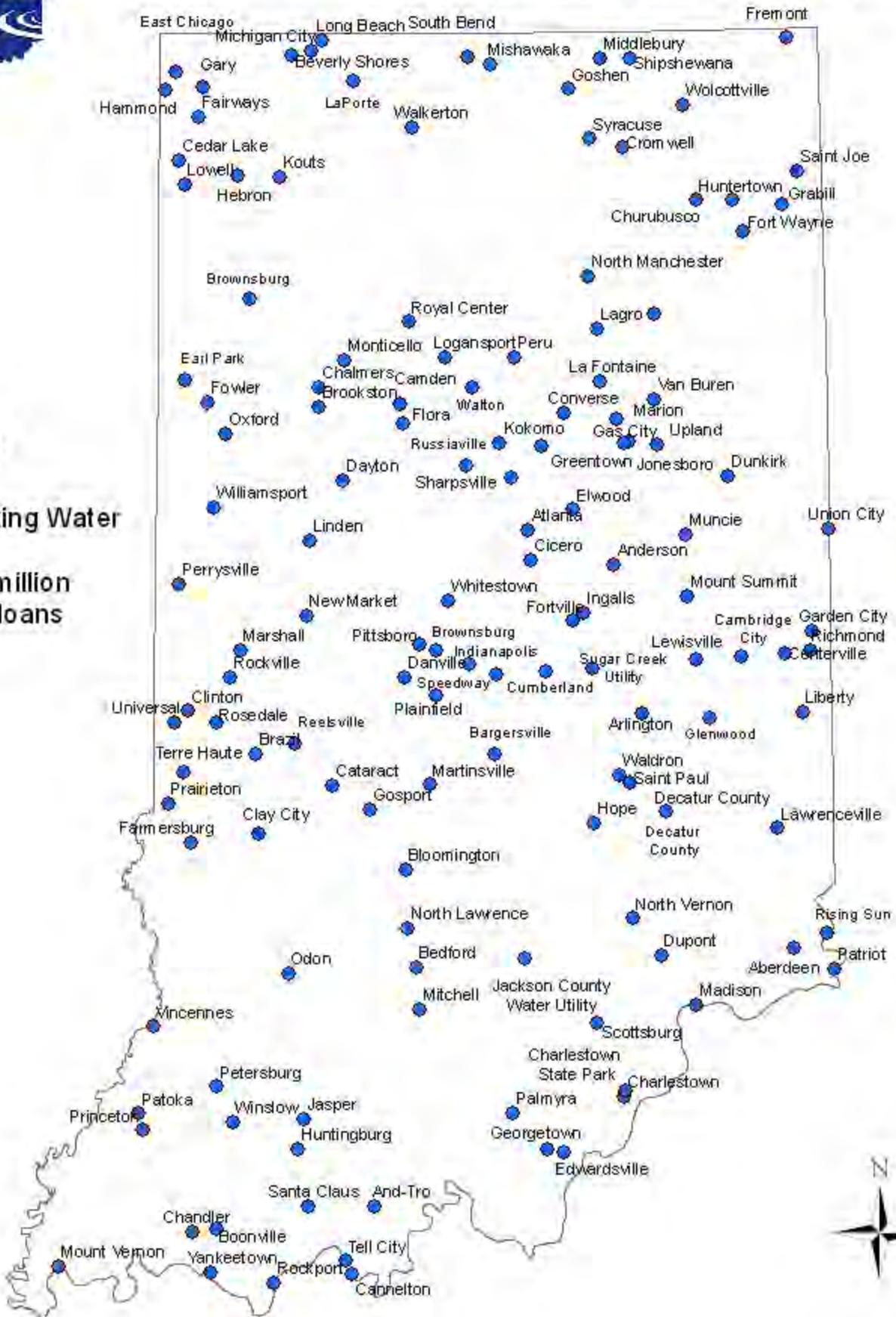


All Drinking Water Projects Closed Since 1999

Legend

● Drinking Water

\$526 million
182 loans



Indiana DWSRF Loan Program
Exhibit O - Summary of Set-Aside Funds in SFY 2012

Capitalization Grant Year	Set-Aside	Current Award Amount	Balance on 7/1/10	ASAP Activity Date	Activity Amount	Description	Balance on 6/30/11
2008	Small System Technical Assistance	\$ 100,000.00	\$ 100,000.00	11/22/2011		Transfer to the Administrative Set-Aside	
				12/30/2011	\$ (76,793.40)	Salary and fringe	
				3/26/2012	\$ (23,206.60)	Salary and fringe	\$ -
2010	Administrative	\$ 452,760.00	\$ 381,629.92	9/30/2011	\$ (90,920.37)	Salary and fringe	
					\$ (72,247.96)	Salary and fringe	
					\$ (159,953.60)	Salary and fringe	\$ 58,507.99
2011	Administrative	\$ 314,180.00		9/13/2011	\$ 314,180.00	Awarded	\$ 314,180.00