

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2014
July 1, 2014**

STATE OF INDIANA
 DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2014 ANNUAL REPORT

I.	Introduction	1
II.	SRF Loan Program Management	1
III.	Goals and Objectives of the SFY 2014 Intended Use Plan	1
IV.	Environmental Review	2
V.	State Match	2
VI.	Binding Commitments	2
VII.	Expeditious and Timely Use of Funds	3
	A. Interest Rates	3
	B. Terms	3
	C. Other Assistance Provided	4
	D. Administrative Fees	4
	E. Transfers	4
	F. Cross Collateralization	4
	G. DWSRF Loan Program Financial Statements	5
	H. Federal Requirements	5
	I. Compliance with 40 CFR Part 31	6
VIII.	Projects Funded	6
IX.	Eligibility	7
X.	Set-Asides	7
XI.	Assistance to Small Systems	7
XII.	Disadvantaged Communities	8

Exhibits:

Exhibit A:	Goals and Objectives of the DWSRF Loan Program SFY 2014 Intended Use Plan
Exhibit B:	Green Project Reserve by Capitalization Grant Year
Exhibit C:	Additional Subsidization by Capitalization Grant Year
Exhibit D:	SFY 2014 DWSRF Loan Program Project Descriptions
Exhibit E:	Cumulative History of the Federal DWSRF Capitalization Grants
Exhibit F:	Cumulative History of the State Match
Exhibit G:	Summary of DWSRF Loan Program Loans Closed in SFY 2014
Exhibit H:	Expeditious and Timely Use of Funds
Exhibit I:	SFY 2014 DWSRF Loan Program Quarterly Interest Rates
Exhibit J:	Summary of DWSRF Transfers
Exhibit K:	Combined Financial Statements
Exhibit L:	Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports
Exhibit M:	DWSRF Projects Closed in SFY 2014 Map
Exhibit N:	DWSRF Projects Closed Since 1999 Map
Exhibit O:	Summary of Set-Aside Funds in SFY 2014

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I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2014 (July 1, 2013 - June 30, 2014). 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 2014 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 2014 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 2014, 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 2014, green projects accounted for 8%, or \$1,175,945 of the 2014 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 20% of the 2014 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, 2014, the DWSRF Loan Program provided 31% of the 2010 Capitalization Grant, 32% of the 2011 Capitalization Grant, 20% of the 2012 Capitalization Grant, and 21% of the 2013 Capitalization Grant in the form of principal forgiveness. The DWSRF Loan Program has identified several communities that are eligible to receive the Additional Subsidization remaining from the 2013 Capitalization Grant. The 2014 Capitalization Grant was awarded on May 27, 2014 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2014 Capitalization Grant. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidy in the form of principal forgiveness. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. Exhibit C will be updated in subsequent Annual Reports until the Additional Subsidization 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 complied with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). A description of each project funded in SFY 2014 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 2014 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF Loan Fund). The State deposited \$5,554,400 million of State Match in the DWSRF Loan Program in SFY 2014. To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the awarded \$228,714,100 million Capitalization Grants the Authority was required to match through June 30, 2014. 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 2014, 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 2014, the DWSRF Loan Program financed 10 loans totaling \$14,755,401. Since the DWSRF Loan Program's inception in 1997, over 205

loans aggregating over approximately \$577.7 million have been financed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program (\$255,926,100). For a summary of all financings by the DWSRF Loan Program during SFY 2014, 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 \$257 million in outstanding principal as of June 30, 2014, 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.

In SFY 2014, the DWSRF Loan Program offered interest rates ranging from a low of 2.00% to a high of 3.61%. A summary of SFY 2014 possible interest rates for non-Pooled DWSRF Loans is set forth in Exhibit I.

In SFY 2014, the subsidized DWSRF Loan Program interest rate provided an estimated savings of \$9,515,803 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 2014 were structured with annual or semi-annual principal repayments that commenced no later than one year after expected completion of the

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

C. Other Assistance Provided

In SFY 2014, the DWSRF Loan Program provided \$4,280,000 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 2014, the DWSRF Loan Program did not provide any DWSRF Pooled Loans, a program that offers eligible participants the “AAA” interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

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

The cost of financing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require participants to offset some of these costs through a Loan Closing Fee, which is \$1,000 per participant. The DWSRF Loan Program may also assess a Non-Use Fee against participants for funds not used for project costs two years following a loan closing. In SFY 2014, the DWSRF Loan Program collected \$6,000 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 2014. 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 2014, which ended June 30, 2014, 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 2014, which ended June 30, 2014, 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 2014 had related projects listed on the Authority's Drinking Water Project Priority List (PPL).
- beginning January 17, 2014 the Authority implemented the "American Iron and Steel" requirement as described in the Consolidated Appropriations Act of 2014.

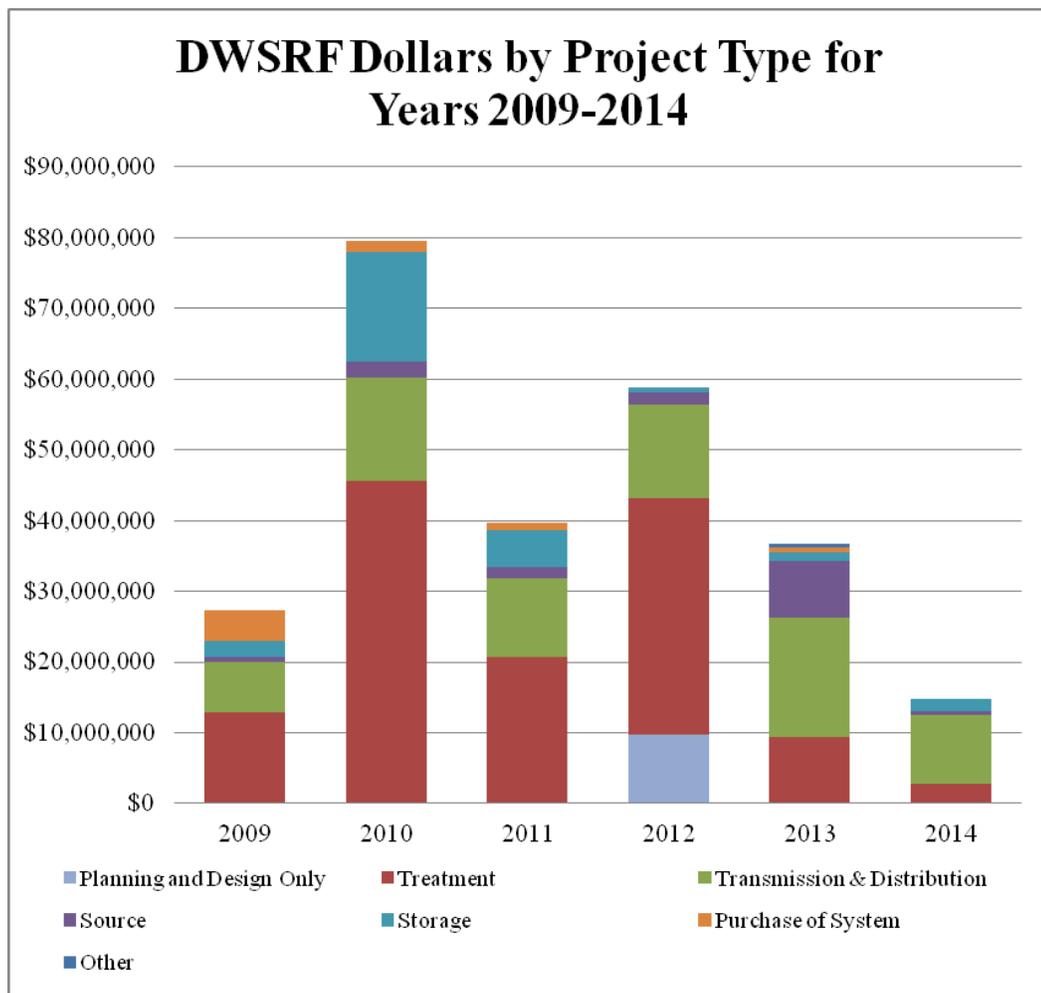
I. Compliance with 40 CFR Part 31 – 40 CFR 35.3570 (a)(3)(xiv)

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 2014 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.

In 2014, the total DWSRF dollars spent on Transmission & Distribution projects exceeded the total DWSRF dollars spent in all other project categories. See *DWSRF Dollars by Project Type for Years 2009-2014*.



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 2014, 92% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 8%, or \$1,217,000, went towards a project that assisted a non-compliant system to achieve compliance.

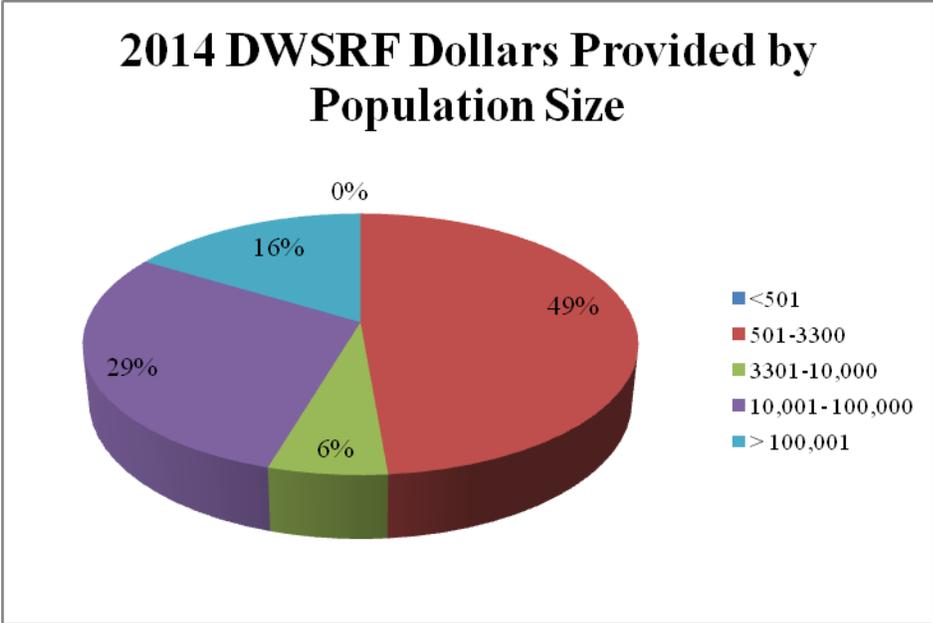
X. SET-ASIDES – 40 CFR 35.3570 (a)(3)(vi)

The Authority is responsible for managing the Set-Aside funds. See Exhibit 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 2014, 55% of DWSRF funds went to systems serving fewer than 10,000 persons, as shown in *2014 DWSRF Dollars Provided by Population Size*. Cumulatively, the DWSRF Loan Program has provided 41% 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 2014, the Authority provided approximately \$1,217,000 to one disadvantaged community. The total disadvantaged population served was 774 persons.

Exhibit A
Goals and Objectives of the DWSRF Loan Program State Fiscal Year (SFY) 2014 Intended Use Plan

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during State Fiscal Year (SFY) 2014, 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) 2014 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2014 Capitalization Grant can promptly be utilized.

Result: The FFY 2014 Capitalization Grant was awarded to the Authority on May 27, 2014. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2014 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 2014 Capitalization Grant is used to provide Additional Subsidization in the form of principal forgiveness, negative interest loans or grants.

Result: The 2014 Capitalization Grant was awarded on May 27, 2014 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2014 Capitalization Grant. In SFY 2014, the Authority provided \$4,280,000 of Additional Subsidy in the form of principle forgiveness to 2 loan recipients. As of June 30, 2014, the DWSRF Loan Program has provided 31% of the 2010 Capitalization Grant, 32% of the 2011 Capitalization Grant, and 20% of the 2012 Capitalization Grant, and 21% of the 2013 Capitalization Grant in the form of principle forgiveness. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. 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 2014 Capitalization Grant.

Result: The DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to follow Davis Bacon wage rules. In addition, in order to meet the requirements of the Davis Bacon wage rules, each Participant was assigned a Labor Standard Administrator (LSA), whose responsibility was to assist the Participant with the reporting requirements associated with Davis Bacon wage rules. The Authority contracted with the LSA's to provide this valuable service to its Participants to ensure that Davis Bacon wage rules were being followed. Further, each Participant provided the Authority with a certification certifying its compliance with Davis Bacon.

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

Result: The DWSRF Loan Program reviewed the details of all closings after the date of January 17, 2014 to determine if the project needed to follow the requirements of the American Iron and Steel act. In addition the DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to meet the requirements of the American Iron and Steel Act and provided guidance on the waiver process and requirements of the Act.

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 2014, 92% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 8%, or \$1,217,000, went towards a project that assisted a non-compliant system to achieve compliance.

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 45 clean water and 3 drinking water inspections in SFY 2014.

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

Result: In SFY 2014, SRF Loan Program staff held project planning meetings, timely reviewed Preliminary Engineering Reports using SRF Work Plans and corresponded with Participants through the process to successfully close on 10 Drinking Water SRF loans. Requiring communities to bid prior to loan closing and providing a timeline assists communities to meet the 2-year construction goal implemented by the Authority.

B. Long-Term Goals and Objectives

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

Result: In SFY 2014, 10 DWSRF loans were closed. See Exhibit I, Summary of Closed Loans for SFY 2014.

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. For those Participants with a Paying Agent Agreement, the SRF Loan Program monitors both the debt service reserve account and the bond and interest account on a quarterly basis. For Participants without a Paying Agent Agreement, the SRF Loan Program annually monitors the reserve balances through its Debt Service Reserve project by requesting the reserve balance and a copy of each Participant's bank statement. If any deficiencies are found, the Authority works with the Participant to correct the deficiencies.

LT4 Goal: Leverage U.S. Environmental Protection Agency (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, to minimize un-liquidated obligations.

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

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

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

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

In order to minimize un-liquidated obligations, the SRF Loan Program accesses EPA funds within one week of award.

LT8 Goal: Periodically publish an SRF Loan Program newsletter.

Result: Newsletters were published in December 2013 and May 2014.

LT9 Goal: Develop a comprehensive database for staff to reference information related to SRF projects.

Result: The Authority continues to develop a detailed comprehensive project tracking system.

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 American Recovery and Reinvestment Act (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: ARRA reporting was completed in SFY 2013.

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

Result: The DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to follow Davis Bacon wage rules. In addition, in order to meet the requirements of the Davis Bacon wage rules, each Participant was assigned a Labor Standard Administrator (LSA), whose responsibility was to assist the Participant with the reporting requirements associated with Davis Bacon wage rules. The Authority contracted with the LSA's to provide this valuable service to its Participants to ensure that Davis Bacon wage rules were being followed. Further, each Participant provided the Authority with a certification certifying its compliance with Davis Bacon.

LT12 Goal: Report all uses of DWSRF funds in the Drinking Water Project Benefits Reporting (PBR) database and the Drinking Water SRF National Information Management System (NIMS) as required by the EPA and the Federal Funding Accountability and Transparency Act (FFATA).

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

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

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

In SFY 2014, green projects accounted for 8%, or \$1,175,945 of the 2014 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. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate and reducing un-liquidated obligations. Coordinate with the Indiana Department of Environmental Management (IDEM) to develop new Set-Aside programs as needed.

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

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

Result: In SFY 2014, 55% of DWSRF funds went to systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 41% 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 2014, the SRF technical reviewers continued with drinking water technical training by conducting on-site inspections of water main installation/replacement projects and water facility improvements projects, attending drinking water technical sessions at the Indiana Section of the American Water Works Association conference, and conducting independent preliminary engineering report technical reviews of 16 water main replacement projects.

LT18 Goal: Coordinate with the Indiana Department of Environmental Management's Drinking Water Branch to identify public water systems with Enforcement Targeting Tool (ETT) scores of 11 or greater that may benefit from DWSRF funding.

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

LT19 Goal: Ensure that DWSRF assistance is not provided to any public water system with an ETT score greater than or equal to 11, unless the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

Result: The DWSRF Loan Program compares DWSRF applications to data from the Drinking Water Branch's Enforcement Targeting Tool on a quarterly basis to ensure that DWSRF assistance is not provided to public water systems with an ETT score greater than or equal to 11, unless the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

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

DWSRF Loan Program 2014 Capitalization Grant =
Green Project Reserve Provided =

\$14,348,000
\$1,175,945

8%

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
Indiana American Water Kokomo	Water Main Replacement	\$ 693,739	\$ 693,739	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 40,571	\$ 40,571	12/10/2013	12/6/2013
Indiana American Water Northwest	Water Main Replacement	\$ 2,410,226	\$ 2,410,226	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 225,272	\$ 225,272	12/10/2013	12/6/2013
Indiana American Water Shelbyville	Water Main Replacement	\$ 478,571	\$ 478,571	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 41,056	\$ 41,056	12/10/2013	12/6/2013
Indiana American Water Terre Haute	Water Main Replacement	\$ 2,640,720	\$ 2,640,720	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 299,147	\$ 299,147	12/10/2013	12/6/2013
Indiana American Water Wabash	Water Main Replacement	\$ 181,827	\$ 181,827	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 11,883	\$ 11,883	12/10/2013	12/6/2013
Indiana American Water West Lafayette	Water Main Replacement	\$ 297,318	\$ 297,318	Water main replacement using Ductile Iron pipe, which contains 85% recycled materials.	\$ -	\$ -	\$ -	\$ 24,726	\$ 24,726	12/10/2013	12/6/2013
Arcadia	Water Main Replacement	\$ 975,000	\$ 975,000	Water main replacement	\$ -	\$ 533,290	\$ -	\$ -	\$ 533,290	6/24/2014	5/8/2014

2014 Capitalization Grant TOTAL

\$ 1,175,945

Indiana DWSRF Loan Program

Exhibit C - Additional Subsidization by Capitalization Grant ¹

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

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

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

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

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

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

DWSRF Loan Program 2013 Capitalization Grant = **\$14,046,000**
 Additional Subsidization Required (20% to 30%) = \$2,809,200 to \$4,213,800
 Additional Subsidization Goal = \$3,000,000
 Additional Subsidization Provided = \$2,980,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Elnora	12/16/2013	\$ -	\$ 2,650,000	\$ 2,650,000
Bruceville	5/28/2014	\$ 867,000	\$ 330,000	\$ 1,197,000
2013 Capitalization Grant TOTAL				\$ 2,980,000

DWSRF Loan Program 2014 Capitalization Grant = **\$14,348,000**
 Additional Subsidization Required (20% to 30%) = \$2,869,600 to \$4,304,400
 Additional Subsidization Goal = \$3,000,000
 Additional Subsidization Provided = \$0

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
2014 Capitalization Grant TOTAL				\$ -

TOTAL Additional Subsidization Provided **\$17,980,000**

¹ Exhibit C is not yet satisfied and will be updated in subsequent Annual Reports until the requirement has been met. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant.

Exhibit D
SFY 2014 DWSRF Loan Program Project Descriptions

DWSRF Participant: Indiana American Water Kokomo	
SRF Project #: DW 13053402	DWSRF Loan Amount: \$693,739
PWS ID #: IN 5234007	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$693,739
NIMS Categories: Transmission & Distribution: \$693,739	Estimated SRF Savings: \$ 193,340
	Affected Population: 55,239
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The distribution system in the City of Kokomo had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.</p> <p>In response, the Indiana American Water Corporation replaced 850 feet of 6-inch and 2,250 feet of 8-inch of ductile iron pipe.</p> <p>Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.</p>	
	
<p>Connection of new water main to existing 8” feed</p>	

DWSRF Participant: Indiana American Water Northwest	
SRF Project #: DW 13084503	DWSRF Loan Amount: \$2,410,226
PWS ID #: IN 5245015	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$2,410,226
NIMS Categories: Transmission & Distribution: \$2,410,226	Estimated SRF Savings: \$ 671,712
	Affected Population: 181,535

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

Project Description:

The distribution systems in the Cities of Portage, Gary, and South Haven had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.

In response, the Indiana American Water Corporation replaced 2,000 feet of 6-inch, 10,900 feet of 8-inch, and 4,077 feet of 12-inch ductile iron pipe.

Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.



Water Main Installation

DWSRF Participant: Indiana American Water Shelbyville	
SRF Project #: DW 13107301	DWSRF Loan Amount: \$478,571
PWS ID #: IN 5273002	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$478,571
NIMS Categories: Transmission & Distribution: \$478,571	Estimated SRF Savings: \$ 133,374
	Affected Population: 17,539
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The distribution system in the City of Shelbyville had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.</p> <p>In response, the Indiana American Water Corporation replaced 540 feet of 6-inch and 2,400 feet of 8-inch of ductile iron pipe.</p> <p>Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.</p>	

DWSRF Participant: Indiana American Water Terre Haute	
SRF Project #: DW 13138402	DWSRF Loan Amount: \$2,640,720
PWS ID #: IN 5284012	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$2,640,720
NIMS Categories: Transmission & Distribution: \$2,640,720	Estimated SRF Savings: \$ 735,949
	Affected Population: 64,071
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The distribution systems in the Cities of Terre Haute and Farmersburg had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.</p> <p>In response, the Indiana American Water Corporation replaced 950 feet of 4-inch, 1,740 feet of 6-inch, 9,885 feet of 8-inch, and 8,650 feet of 12-inch ductile iron pipe.</p> <p>Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.</p>	
	
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Installation of booster station connection</div>	<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;">Installation of hydrant assembly</div>

DWSRF Participant: Indiana American Water Wabash

SRF Project #: DW 13148501	DWSRF Loan Amount: \$181,827
PWS ID #: IN 5285003	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$181,827
NIMS Categories: Transmission & Distribution: \$181,827	Estimated SRF Savings: \$ 50,674
	Affected Population: 11,880

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

Project Description:

The distribution system in the City of Wabash had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.

In response, the Indiana American Water Corporation replaced 670 feet of 4-inch and 575 feet of 6-inch ductile iron pipe.

Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.



Installation of tapping sleeve

DWSRF Participant: Indiana American Water West Lafayette	
SRF Project #: DW 13167901	DWSRF Loan Amount: \$297,318
PWS ID #: IN 5279020	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/6/2013	Total Loan and Principle Forgiveness: \$297,318
NIMS Categories: Transmission & Distribution: \$297,318	Estimated SRF Savings: \$ 82,860
	Affected Population: 28,871
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The distribution system in the City of West Lafayette had areas of water mains that had reached end of useful life. Corrosion and material strength deterioration in the cast iron pipe resulted in numerous breaks and leaks in recent years. Customers reported service disruptions and low water pressures.</p> <p>In response, the Indiana American Water Corporation replaced 545 feet of 4-inch and 1,260 feet of 8-inch ductile iron pipe.</p> <p>Replacement of these leaking and failing pipes will reduce water loss, service disruptions, and maintain proper water pressure.</p>	

DWSRF Participant: Elnora	
SRF Project #: DW 12061401	DWSRF Loan Amount: \$1,038,000
PWS ID #: IN 5214003	Principal Forgiveness: \$3,950,000
DWSRF Loan Closed: 12/16/2013	Total Loan and Principle Forgiveness: \$4,988,000
NIMS Categories:	Estimated SRF Savings: \$6,355,017
Treatment: \$2,203,122	Affected Population: 721
Transmission & Distribution: \$1,562,364	
Source: \$560,516	
Storage: \$ 661,999	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The Town of Elnora's drinking water system had many needs and the town's two existing wells were past useful life and had decreasing supply.</p> <p>Problems with the water treatment plant included faulty controls for the filters and high service pumps. Piping between the filters and high service pumps to the clearwell needed to be replaced. The existing concrete filters were deteriorating. Also the water Superintendent was concerned that the existing clearwell might be leaking and untreated groundwater may be entering the below-ground finished water storage tank, which is a health concern. An office, laboratory, restroom, and plant back-up generator was needed. The back wash water basin needed to be cleaned and the gravity backwash water outfall line needed to be replaced.</p> <p>The town's water storage tank was built in 1938 and according to a tank inspection report had reached the end of its useful life. Its current size is adequate but is not enough for the 20-year planning period.</p> <p>Some portions of the distribution system are over 75 years old, deteriorated, and undersized. Gate valves, fire hydrants no longer function properly. Areas of the systems require looping to eliminate dead-end lines and flow issues.</p> <p>The project included the abandonment of two water wells and construction of two new water supply wells, installation of approximately 15,680 feet of 6- thru 8-inch water mains with all related valves and hydrants, installation of approximately 271 radio read water meters and monitoring system, demolition of the 75,000 gallon elevated storage tank and construction of a new 125,000 gallon elevated water storage tank, demolition of the old water treatment plant and construction of a new water treatment plant, clear well, and emergency generator with all related electrical, piping and site improvements.</p> <p>These improvements will allow the town to maintain compliance and continue to provide safe, reliable water to its residents.</p>	

DWSRF Participant: Arcadia	
SRF Project #: DW 13012901	DWSRF Loan Amount: \$ 975,000
PWS ID #: IN 5229001	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 5/8/2014	Total Loan and Principle Forgiveness: \$ 975,000
NIMS Categories: Transmission & Distribution: \$ 975,000	Estimated SRF Savings: \$ 294,989
	Affected Population: 1666

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

Project Description:

Segments of the town of Arcadia’s water distribution system were past useful life and deteriorated to the point that spot repairs were no longer practical. Many lines were undersized and did not maintain proper flow or pressure. Many hydrants and valves were inoperative and in need of being replaced.

The community installed approximately 10,000 feet of 6-inch diameter water main, 26 hydrants, 25 valves and repaired all service connections.

These improvements will reduce water loss, increase water revenues, and improve operational efficiencies.



Water line installation

DWSRF Participant: Bruceville	
SRF Project #: DW 13174201	DWSRF Loan Amount: \$ 887,000
PWS ID #: IN5242003	Principal Forgiveness: \$ 330,000
DWSRF Loan Closed: 5/28/2014	Total Loan and Principle Forgiveness: \$ 1,217,000
NIMS Categories: Transmission & Distribution: \$ 167,162 Storage: \$ 1,049,838	Estimated SRF Savings: \$ 786,245
	Affected Population: 774
This Project: Assists a noncompliant system to achieve compliance with the Safe Drinking Water Act.	
Project Description: The Bruceville system was not meeting minimum state requirements for water storage. Several mains in the distribution system were beyond their useful life and not providing adequate flow or pressure and a number of valves were no longer operating properly. The project included the construction of a new 100,000 gallon elevated storage tank, the demolition of the existing storage tank, the construction of a booster pump station, the installation of meters and the installation of new 4-inch water main with related valves and hydrants. The purpose of the project is to improve water pressure and flow requirements, as well as meeting minimum state requirements for water storage.	

DWSRF Participant: Linton	
SRF Project #: DW 11052801	DWSRF Loan Amount: \$ 873,000
PWS ID #: IN 5228005	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 5/28/2014	Total Loan and Principle Forgiveness: \$ 873,000
NIMS Categories:	Estimated SRF Savings: \$ 211,642
Treatment: \$ 510,623	Affected Population: 8856
Transmission & Distribution: \$ 362,377	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The city of Linton used polyphosphates to reduce high iron levels in its raw water some but the reduction was not enough; water quality was an issue. Water mains in areas were old, undersized, and suffering from corrosion due to soil conditions, leading to breaks, leaks, and water loss. The well field's back up power could only run one well at a time and there were numerous valves and hydrants throughout the distribution system that were inoperable.</p> <p>In response, the town constructed a new 3,000 gallon per minute iron filtration water treatment plant, installed approximately 8,600 feet of water main to improve water pressure and reduce leakage, installed a back-up emergency generator at the well field, and replaced various non-operational valves and hydrants as needed. These improvements will allow the city to improve water quality, pressure and flow, reduce water loss, and increase reliability during power outages.</p>	

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
FFY 2013 Federal Capitalization Grant	\$ 14,046,000
FFY 2014 Federal Capitalization Grant	\$ 14,348,000
TOTAL GRANTS	\$ 255,926,100
TOTAL GRANTS REQUIRED TO MATCH	\$ 228,714,100

Exhibit F
Cumulative History of the State Match

The State deposited approximately \$5.554 million of State Match in the DWSRF Loan Program in SFY 2014. To date, the DWSRF State Match has aggregated in excess of 20 percent of the awarded \$228,714,100 Capitalization Grants the Authority was required to match through June 30, 2014, as demonstrated in the table below:

\$6,860,000	State Revolving Fund Program Bond, Subordinate Series 1, net proceeds representing a State Match (September 1999)*
5,640,000	State Revolving Fund Program Bond, Subordinate Series 2, net proceeds representing a State Match (December 2001)*
3,823,000	Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001 & July 2002)
1,949,860	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2004)
2,000,000	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (February 2005)
2,100,000	Series 2006A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2006)
2,493,109	Series 2006B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2006)
2,400,000	Series 2007B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2007)
7,000,000	Series 2009A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2009)
4,437,000	Series 2010B State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2010)
1,567,051	Series 2011A State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2011)
2,788,000	Series 2012B State Revolving Fund Program Bond net proceeds representing a State Match allocation (August 2012)
5,554,400	Series 2014A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2014)
\$48,612,420	TOTAL

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

As a result of the foregoing, the State has deposited State Match in excess of that required based on grants awarded as of the end of SFY 2014 by \$2,869,600 (also known as over-match), which is banked toward future capitalization grants that are expected to be awarded in SFY 2015. 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 2015) to cash (and deposit it in the DWSRF) based upon incurred costs through SFY 2014, 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 2014.

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

DRINKING WATER									
Revenue Bonds	Original Par Amount of Bonds Designated as State Match	Par Amount retired during SFY Ending June 30						All Prior SFYs	Remaining Par Amount of Bonds Designated as State Match
		2014	2013	2012	2011	2010			
2001A	15,680,000	-	-	3,368,082	2,950,160	2,433,832	6,927,926	\$ -	
2004B	3,625,835	-	-	-	66,299	650,271	2,909,265	-	
2006A	1,988,671	-	-	-	-	-	1,988,671	-	
2006B	2,359,076	-	-	-	-	-	2,359,076	-	
2007B	2,087,648	-	-	177,648	1,110,000	800,000	-	-	
2009A	6,610,905	415,000	1,310,000	500,000	170,000	-	-	4,215,905	
2010B	4,083,672	725,000	-	1,335,000	1,465,000	-	-	558,672	
2011A	1,413,300	-	-	1,000,000	-	-	-	413,300	
2012B	2,390,013	630,000	140,000					1,620,013	
2014A	5,520,000	-	-					5,520,000	
Total	45,759,120	1,770,000	1,450,000	6,380,730	5,761,459	3,884,103	14,184,938	12,327,890	

Indiana DWSRF Loan Program

Exhibit G - Summary of DWSRF Loan Program Loans Closed in SFY 2014

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF P & I *	SRF Savings
Indiana American Water (IAW) Gary	6-Dec-13	\$ 2,410,226	\$ -	\$ 2,410,226	4.50%	\$ 3,705,778	2.300%	\$ 3,034,065	\$ 671,712
IAW Kokomo	6-Dec-13	\$ 693,739	\$ -	\$ 693,739	4.50%	\$ 1,066,640	2.300%	\$ 873,300	\$ 193,340
IAW Shelbyville	6-Dec-13	\$ 478,571	\$ -	\$ 478,571	4.50%	\$ 735,814	2.300%	\$ 602,440	\$ 133,374
IAW Terre Haute	6-Dec-13	\$ 2,640,720	\$ -	\$ 2,640,720	4.50%	\$ 4,060,167	2.300%	\$ 3,324,218	\$ 735,949
IAW Wabash	6-Dec-13	\$ 181,827	\$ -	\$ 181,827	4.50%	\$ 279,563	2.300%	\$ 228,889	\$ 50,674
IAW West Lafayette	6-Dec-13	\$ 297,318	\$ -	\$ 297,318	4.50%	\$ 457,133	2.300%	\$ 374,273	\$ 82,860
Elnora	16-Dec-13	\$ 1,038,000	\$ 3,950,000	\$ 4,988,000	4.50%	\$ 7,669,164	2.360%	\$ 1,314,147	\$ 6,355,017
Arcadia	8-May-14	\$ 975,000	\$ -	\$ 975,000	4.50%	\$ 1,499,085	2.100%	\$ 1,204,095	\$ 294,989
Bruceville	28-May-14	\$ 887,000	\$ 330,000	\$ 1,217,000	4.50%	\$ 1,871,165	2.000%	\$ 1,084,920	\$ 786,245
Linton	28-May-14	\$ 873,000	\$ -	\$ 873,000	4.50%	\$ 1,342,257	2.600%	\$ 1,130,616	\$ 211,642
TOTAL		\$ 10,475,401	\$ 4,280,000	\$ 14,755,401					\$ 9,515,803

* P & I = Principal and Interest

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 2014 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 2014 as well as loans anticipated to be closed in SFY 2015 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, 2014, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2015, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2014 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 2015 (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, 2014 and as anticipated in SFY 2015) 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, 2014, 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 \$255.1 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 2015 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, 2014 nor are any so anticipated in SFY 2015.

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 2014 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, 2014.

¹¹ In addition to meeting any Excess Commitments as of July 1, 2014, 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, 2014, (b) PERs submitted and under review by the DWSRF as of July 1, 2014 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2015), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2014 and as anticipated in SFY 2015) is shown in the Use Schedule.¹² In furtherance of these purposes, the funds in this account are invested with certain short-term investments and State and Local Government Series (SLGS) securities.

Drinking Water Equity Earnings Account

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

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

Available Balance: The aggregate amount held in this account as of July 1, 2014 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, 2014, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2014, (b) PERs submitted and under review by the DWSRF as of July 1, 2014 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2015), 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 2015. 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 2015) in the event additional Guarantee Revenue Bonds could not to be issued.

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

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

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2015 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 2015 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, 2014, about \$23.6 million has been transferred to DWSRF. As of July 1, 2014, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately \$70.7 million of allowable transfers which includes 33% of the FFY 2014 grant. The full amount of any such potential transfers is banked.

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

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

Exhibit H-Schedule 1

	Account Balances* as of: <u>30-Jun-2014</u> (Actual)	Future Deposits in SFY
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 17,600,000	\$ -
Reserve Earnings Account	-	-
Reserve Deficiency Account	-	-
Equity Grant Account	124,100,000	\$ 26,100,000
Equity Earnings Account	23,300,000	-
	<u>\$ 165,000,000</u>	<u>\$ 26,100,000</u>
Total Available Funds (A. and B. above)	<u><u>\$ 165,000,000</u></u>	<u><u>\$ 26,100,000</u></u>

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 **)	2,300,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	<u>100,000</u>
PERs In-house (approved & under-review) Awaiting Loan Closing	78,200,000
Other Projects on new SFY's PPL, Requesting Loan Funding	<u>10,500,000</u>
1. Use: to cover Loan Demand***	<u>91,100,000</u>
2. Use: to cover Series Reserve Requirement	<u>18,300,000</u>
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<u><u>\$ 109,400,000</u></u>

Uses of Funds (1 & 2 above):	\$ 109,400,000
Less: Total Available Funds (A. and B. above)	191,100,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"****	<u><u>\$ (81,700,000)</u></u>

Notes:

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

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

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

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

Exhibit I
SFY 2014 DWSRF Loan Program Quarterly Interest Rates¹

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (Median Household Income ² : under \$33,669)			
1 st Qtr SFY 2014	2.00%	2.00%	2.48%
2 nd Qtr SFY 2014	2.36%	2.61%	3.11%
3 rd Qtr SFY 2014	2.19%	2.44%	2.94%
4 th Qtr SFY 2014	2.00%	2.10%	2.60%
Tier II (Median Household Income: \$33,670 to \$41,566)			
1 st Qtr SFY 2014	2.00%	2.23%	2.73%
2 nd Qtr SFY 2014	2.61%	2.86%	3.36%
3 rd Qtr SFY 2014	2.44%	2.69%	3.19%
4 th Qtr SFY 2014	2.10%	2.35%	2.85%
Tier I (Median Household Income: over \$41,567)			
1 st Qtr SFY 2014	2.23%	2.48%	2.98%
2 nd Qtr SFY 2014	2.86%	3.11%	3.61%
3 rd Qtr SFY 2014	2.69%	2.94%	3.44%
4 th Qtr SFY 2014	2.35%	2.60%	3.10%

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

² Median Household Income reflected in the 2000 Census.

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, 2014, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2014 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 2014, 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 2014.



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

COMBINED FINANCIAL STATEMENTS

June 30, 2014 and 2013

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

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENTS OF NET POSITION	9
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
COMBINED STATEMENTS OF CASH FLOWS	11
NOTES TO COMBINED FINANCIAL STATEMENTS	12
OTHER SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULES - STATEMENTS OF NET POSITION INFORMATION	36
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION	37
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION	38

Independent Auditors' Report

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on the Financial Statements

We have audited the accompanying combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, which comprise the combined statements of net position as of June 30, 2014 and 2013, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the State Revolving Fund Loan Programs at June 30, 2014 and 2013, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the combined financial statements, in fiscal year 2014, the State Revolving Fund Loan Programs adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2014, on our consideration of the State Revolving Fund Loan Programs' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State Revolving Fund Loan Programs' internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2014

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview (Management's Discussion and Analysis (MD&A)) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2014. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net position increased by \$36.4 million during the current fiscal year from \$1,208.9 million to \$1,245.3 million. Non operating revenues consisted of \$58.5 million of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA) during fiscal year 2014. SRF Program's net position is restricted for water pollution and drinking water projects and related SRF Program purposes.

During the current fiscal year, the SRF Programs' debt decreased by \$322.6 million. The net decrease in debt is the result of the partial defeasance of Series 2006A, 2006B, 2007A and 2007B bonds, the partial cash defeasance of the Series 2004B, 2004C, 2005A, 2006A, 2006B, 2007A, and 2007B bonds totaling \$308 million, scheduled principal payments on outstanding debt totaling \$101.6 million and the issuance of \$87 million in new bonds.

The SRF Programs disbursed \$127.7 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan receivables can be found in Note 3 to the combined financial statements on page 19 of this report.

BASIC COMBINED FINANCIAL STATEMENTS

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

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

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2014

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

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

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 12-35 of this report.

In addition to the basic combined financial statements and accompanying notes, this Report also presents other supplementary information on pages 36-38. 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, 2014

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, net position is \$1,245.3 million at the close of the most recent fiscal year.

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

	2014	June 30, Restated 2013	Restated 2012
Current assets	\$ 747,747	\$ 666,022	\$ 822,691
Noncurrent assets	<u>2,106,753</u>	<u>2,488,404</u>	<u>2,142,616</u>
Total Assets	<u>2,854,500</u>	<u>3,154,426</u>	<u>2,965,307</u>
Deferred Outflows of Resources	<u>38,508</u>	<u>34,427</u>	<u>34,008</u>
Current liabilities	153,408	139,302	150,978
Long-term liabilities	<u>1,494,318</u>	<u>1,840,694</u>	<u>1,690,722</u>
Total Liabilities	<u>1,647,726</u>	<u>1,979,996</u>	<u>1,841,700</u>
Net Position			
Restricted	<u>1,245,282</u>	<u>1,208,857</u>	<u>1,157,615</u>
Total Net Position	<u>\$ 1,245,282</u>	<u>\$ 1,208,857</u>	<u>\$ 1,157,615</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. The current year's assets and liabilities decreased due to bond defeasances.

In fiscal year 2014, participant needs were met with EPA grants, new bond issuances, and funds on hand.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2014

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

	Years Ended June 30,		
	2014	Restated 2013	Restated 2012
Operating Revenues			
Interest-investments	\$ 11,276	\$ 27,274	\$ 56,123
Interest-participants	58,597	63,056	62,991
Other	382	412	457
Total operating revenues	<u>70,255</u>	<u>90,742</u>	<u>119,571</u>
Operating Expenses			
Interest	79,825	75,028	77,595
Bond issuance costs	963	2,593	1,312
Trustee fees	51	368	34
Other program and administrative	342	3,151	2,629
Total operating expenses	<u>81,181</u>	<u>81,140</u>	<u>81,570</u>
Operating Income (Loss)	(10,926)	9,602	38,001
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	58,515	45,058	64,720
Loan forgiveness	(11,164)	(3,418)	(19,632)
Total nonoperating revenues	<u>47,351</u>	<u>41,640</u>	<u>45,088</u>
Increase in Net Position	36,425	51,242	83,089
Net Position:			
Beginning of Year	<u>1,208,857</u>	<u>1,157,615</u>	<u>1,074,526</u>
End of Year	<u>\$1,245,282</u>	<u>\$1,208,857</u>	<u>\$1,157,615</u>

The SRF Programs' net position increased by \$36.4 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$58.5 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes.
- Operating expenses exceeded interest income on investments and loans by \$10.9 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, 2014

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount was \$1.62 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)

	2014	Restated 2013	Restated 2012
Net Bond Indebtedness	<u>\$ 1,618,472</u>	<u>\$ 1,941,041</u>	<u>\$ 1,805,572</u>

During the current fiscal year, the SRF Programs' debt decreased by \$322.6 million. The net decrease in debt is the result of the partial defeasance of Series 2006A, 2006B, 2007A, and 2007B bonds, the partial cash defeasance of the Series 2004B, 2004C, 2005A, 2006A, 2006B, 2007A and 2007B bonds totaling \$308 million, scheduled principal payments on outstanding debt totaling \$101.6 million and the issuance of \$87 million in new bonds.

Additional information on the SRF Programs' long-term debt can be found in Notes 6 and 7 to the combined financial statements on pages 22-34 of this report.

REQUESTS OF INFORMATION

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

COMBINED FINANCIAL STATEMENTS

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET POSITION
June 30, 2014 and 2013

	2014	Restated 2013
ASSETS		
Current Assets:		
Cash and equivalents	\$ 549,025,069	\$ 493,861,893
Interest receivable	24,316,900	26,425,118
Due from EPA	46,993,853	40,474,294
Accounts receivable	2,000	-
Loans receivable, net	<u>127,408,955</u>	<u>105,260,264</u>
Total Current Assets	<u>747,746,777</u>	<u>666,021,569</u>
Noncurrent Assets:		
Investments	231,884,055	518,226,287
Loans receivable, net	1,874,482,032	1,969,812,523
Equipment, net	<u>386,900</u>	<u>365,214</u>
Total Noncurrent Assets	<u>2,106,752,987</u>	<u>2,488,404,024</u>
Total Assets	<u>2,854,499,764</u>	<u>3,154,425,593</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	<u>38,507,781</u>	<u>34,426,617</u>
Total Deferred Outflows of Resources	<u>38,507,781</u>	<u>34,426,617</u>
LIABILITIES		
Current Liabilities:		
Interest payable	28,808,203	35,849,456
Accounts payable	445,279	277,035
Amount due to federal government	-	1,610,500
Bonds payable-current, net	<u>124,155,000</u>	<u>101,565,000</u>
Total Current Liabilities	<u>153,408,482</u>	<u>139,301,991</u>
Long-term Liabilities:		
Amount due to federal government	-	1,217,727
Bonds payable, net	<u>1,494,317,475</u>	<u>1,839,475,821</u>
Total Long-term Liabilities	<u>1,494,317,475</u>	<u>1,840,693,548</u>
Total Liabilities	<u>1,647,725,957</u>	<u>1,979,995,539</u>
NET POSITION		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,245,281,588</u>	<u>\$ 1,208,856,671</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 POSITION
Years Ended June 30, 2014 and 2013

	2014	Restated 2013
OPERATING REVENUE		
Interest income-investments	\$ 11,275,204	\$ 27,273,918
Interest income-loan participants	58,597,140	63,056,024
Administration and premium fees	20,000	37,000
Other	<u>362,393</u>	<u>375,530</u>
Total Operating Revenue	<u>70,254,737</u>	<u>90,742,472</u>
OPERATING EXPENSES		
Interest	79,824,910	75,028,394
Bond issuance costs	962,963	2,593,194
Trustee fees	51,351	367,612
Other program and administrative	<u>341,636</u>	<u>3,151,680</u>
Total Operating Expenses	<u>81,180,860</u>	<u>81,140,880</u>
OPERATING INCOME (LOSS)	(10,926,123)	9,601,592
NONOPERATING REVENUES AND (EXPENSES)		
Capital contributions	58,515,340	45,058,614
Loan forgiveness	<u>(11,164,300)</u>	<u>(3,418,300)</u>
Total Nonoperating Revenues and (Expenses)	<u>47,351,040</u>	<u>41,640,314</u>
INCREASE IN NET POSITION	36,424,917	51,241,906
NET POSITION		
Beginning of Year	<u>1,208,856,671</u>	<u>1,157,614,765</u>
End of Year	<u>\$ 1,245,281,588</u>	<u>\$ 1,208,856,671</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, 2014 and 2013

	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (2,692,577)	\$ (2,163,114)
Administration fee	<u>20,000</u>	<u>37,000</u>
Net Cash Used by Operating Activities	<u>(2,672,577)</u>	<u>(2,126,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	200,910,491	265,575,279
Issuance of loans to participants	(127,728,691)	(400,128,598)
Change in investments	286,342,232	(193,860,775)
Interest received on loans and investments	71,980,562	81,696,082
Purchase of capital assets	<u>(21,686)</u>	<u>(101,000)</u>
Net Cash Provided (Used) by Investing Activities	<u>431,482,908</u>	<u>(246,819,012)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	86,925,000	349,126,533
Principal payments to reduce indebtedness including refunding	(413,574,510)	(214,076,535)
Payment of debt issuance costs, net of refunding	(962,963)	(2,593,194)
Interest paid on debt	<u>(86,866,163)</u>	<u>(73,182,198)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(414,478,636)</u>	<u>59,274,606</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	51,995,781	47,845,989
Issuance of forgivable loans to participants	<u>(11,164,300)</u>	<u>(3,418,300)</u>
Net Cash Provided by Capital Financing Activities	<u>40,831,481</u>	<u>44,427,689</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	55,163,176	(145,242,831)
CASH AND EQUIVALENTS		
Beginning of Year	<u>493,861,893</u>	<u>639,104,724</u>
End of Year	<u>\$ 549,025,069</u>	<u>\$ 493,861,893</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (10,926,123)	\$ 9,601,592
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Interest income	(69,872,344)	(90,329,942)
Interest expense	79,824,910	75,028,394
Bond issuance costs	962,963	2,593,194
Changes in assets and liabilities:		
Accounts receivable	(2,000)	-
Accounts payable	168,244	(18,061)
Amount due to federal government	<u>(2,828,227)</u>	<u>998,709</u>
Net Cash Used by Operating Activities	<u>\$ (2,672,577)</u>	<u>\$ (2,126,114)</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, 2014 and 2013

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 recognize revenues in the period earned and expenses in the period incurred. Financial transactions are reported as business-type activities.

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

The SRF Programs adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The application of GASB Statement No. 65 required a restatement of previously presented net position.

The following is a reconciliation of the beginning net position:

Net position at June 30, 2012, as previously reported	\$ 1,165,910,992
Adoption of GASB No. 65	<u>(8,296,227)</u>
Net position at June 30, 2012, as restated	1,157,614,765
Increase in net position during June 30, 2013, as previously reported	52,424,499
Decrease in change in net position during June 30, 2013 due to Adoption of GASB No. 65	<u>(1,182,593)</u>
Net position at June 30, 2013, as restated	<u>\$ 1,208,856,671</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 2001A, 2002A, 2002B, 2004B, and 2004C Bonds, which by operation of law effective May 15, 2005, such liabilities of the SRF Programs became the liabilities of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2005A, 2006A, 2006B, 2007A, 2007B, 2009A, 2010A, 2010B, 2010C, 2011A, 2012A, 2012B, 2012C, 2013A, 2014A and 2014B Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 6 and are secured by a common trust estate supported in part by participant loan repayments.

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

Restricted Net Position: Restricted net position is available for providing financial assistance related to water pollution control and drinking water projects and other 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, 2014 and 2013, fair value approximates cost. Changes in the fair value of investments are included in the combined statements of revenues, expenses and changes in net position.

Allowance for Doubtful Accounts: Management's estimate of the allowance for doubtful accounts is determined through a review of individual loan balances' collectability, as well as the forgivable loans disbursed pursuant to the American Recovery and Reinvestment Act. The allowance for doubtful accounts was \$24,092,658 and \$35,289,254 at June 30, 2014 and 2013, respectively.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Subsequent Events: The Authority has evaluated the combined financial statements for subsequent events occurring through September 25, 2014, the date the combined financial statements were available to be issued.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS

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

A summary of cash and equivalents and investments as of June 30, 2014 and 2013 follows:

	<u>2014</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 83,099	\$ 55,940	\$ 139,039
Bank deposits	11,979,253	-	11,979,253
Money market funds	382,803,473	85,191,230	467,994,703
Government obligations	<u>214,114,890</u>	<u>86,681,239</u>	<u>300,796,129</u>
	<u>\$ 608,980,715</u>	<u>\$ 171,928,409</u>	<u>\$ 780,909,124</u>
	<u>2013</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 721	\$ 742	\$ 1,463
Bank deposits	13,669,528	-	13,669,528
Money market funds	418,440,174	63,825,284	482,265,458
Government obligations	<u>394,874,205</u>	<u>121,277,526</u>	<u>516,151,731</u>
	<u>\$ 826,984,628</u>	<u>\$ 185,103,552</u>	<u>\$1,012,088,180</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2014, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Bank deposits	\$ 11,979	\$ 2,241	\$ 9,738	\$ -	\$ -
Money market funds	382,804	382,804	-	-	-
Government obligations	<u>214,115</u>	<u>72,327</u>	<u>40,575</u>	<u>88,626</u>	<u>12,587</u>
	<u>\$ 608,898</u>	<u>\$ 457,372</u>	<u>\$ 50,313</u>	<u>\$ 88,626</u>	<u>\$ 12,587</u>

	Drinking Water				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Money market funds	\$ 85,191	\$ 85,191	\$ -	\$ -	\$ -
Government obligations	<u>86,681</u>	<u>6,323</u>	<u>52,327</u>	<u>23,996</u>	<u>4,035</u>
	<u>\$ 171,872</u>	<u>\$ 91,514</u>	<u>\$ 52,327</u>	<u>\$ 23,996</u>	<u>\$ 4,035</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, 2014:

	S&P	Fitch	Moody's	Fair Value
Bank deposits	AA+	AAA	Aaa	\$ 11,979
Money market funds	AAAm	unrated	Aaa-mf	210,899
	AAAm	AAAmmf	Aaa-mf	257,096
Government obligations	AA+	AAA	Aaa	<u>300,796</u>
Total Rated Investments				<u>\$ 780,770</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

Concentration of Credit Risk: The SRF Programs place no limit on the amount that may be invested in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2014:

BlackRock MMF	27%
US Treasury	19%
Federal Government Agency Debt	19%
Goldman Financial Square MM (FSMXX)	16%
Dreyfus Cash Management CI A Fd 288	12%

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

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, 2014 and 2013 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, 2014	Loans Receivable as of June 30, 2013	Actual Loan Available Less Principal Repayments as of June 30, 2014
Wastewater Fund	\$1,649,154,320	\$1,697,961,974	\$1,727,063,624
Drinking Water Fund	<u>352,736,667</u>	<u>377,110,813</u>	<u>368,795,988</u>
Total All Loans	<u>\$2,001,890,987</u>	<u>\$2,075,072,787</u>	<u>\$2,095,859,612</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 \$127,408,955 at June 30, 2014 and \$105,260,264 at June 30, 2013.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

As of June 30, 2014, 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, 2014	Loans Receivable as of June 30, 2013	Actual Loan Available Less Principal Repayments as of June 30, 2014
Wastewater Fund			
City of Indianapolis	\$ 274,576,250	\$ 291,260,500	\$ 274,576,250
City of Terre Haute	152,571,000	153,037,938	152,571,000
City of Evansville	104,705,744	93,376,719	105,541,498
City of Fort Wayne	97,732,676	95,055,325	98,423,711
City of Hammond	82,500,000	84,265,000	82,500,000
City of Columbus	70,276,000	74,045,000	70,276,000
City of Jeffersonville	42,604,549	64,138,487	43,050,000
Drinking Water Fund			
City of Fort Wayne	\$ 47,550,000	\$ 50,843,000	\$ 47,550,000
City of East Chicago	36,125,000	38,120,000	36,125,000
City of Bloomington	19,621,000	21,341,000	19,621,000
Town of Bargersville	18,395,000	18,553,910	18,395,000
City of Greensburg	13,687,100	14,040,450	13,687,100
City of Lake Station	10,908,843	10,098,756	11,697,000
City of Huntington	9,653,000	10,024,000	9,653,000
Indiana American Water Co., Inc	8,122,171	1,545,244	8,122,171
City of Martinsville	8,083,000	8,489,000	8,083,000
City of Michigan City	5,919,916	5,949,916	5,919,916

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 4 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2014:

	Investments	Loans	Total
Wastewater	\$ 687,036	\$ 19,864,502	\$ 20,551,538
Drinking Water	<u>169,461</u>	<u>3,595,901</u>	<u>3,765,362</u>
	<u>\$ 856,497</u>	<u>\$ 23,460,403</u>	<u>\$ 24,316,900</u>

Interest receivable at June 30, 2013:

	Investments	Loans	Total
Wastewater	\$ 2,204,206	\$ 20,276,288	\$ 22,480,494
Drinking Water	<u>216,124</u>	<u>3,728,500</u>	<u>3,944,624</u>
	<u>\$ 2,420,330</u>	<u>\$ 24,004,788</u>	<u>\$ 26,425,118</u>

NOTE 5 - ARBITRAGE REBATE AND YIELD REDUCTION PAYMENTS TO U.S. TREASURY

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. Any estimated liabilities, which were calculated as of January 31, 2014, are recorded in both the general short-term debt group for the current portion and the general long-term debt account group for the long-term portion. With respect to such bonds, as of June 30, 2014, the SRF Programs had no liabilities.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE

Bonds payable at June 30, 2014 and 2013 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2014	2013
<u>Wastewater Fund:</u>		
Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of \$68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, \$53,790,822 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 53,790,822	\$ -
Series 2014A Bonds issued April 24, 2014 for the aggregate amount of \$18,575,000 maturing on February 1, 2015 at an interest rate of 2.00%. Of this, \$13,055,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	13,055,000	-
Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2004B, 2004C, 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2015 to February 1, 2027 at interest rates ranging from 3.00% to 5.00%. Of this, \$32,210,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	32,210,000	32,210,000
Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2020 to February 1, 2032 at interest rates ranging from 3.00% to 5.00%. Of this, \$99,415,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program	99,415,000	99,415,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$122,110,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.</p>	\$ 117,805,000	\$ 117,805,000
<p>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.</p>	110,740,000	125,130,000
<p>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.</p>	57,215,000	57,215,000
<p>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.</p>	57,370,000	57,370,000
<p>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.</p>	63,055,000	68,740,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>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.</p>	\$ 236,445,000	\$ 245,080,000
<p>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.</p>	118,830,000	120,955,000
<p>Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, \$3,640,000 was refunded and \$29,855,000 was cash defeased.</p>	25,670,000	60,795,000
<p>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. In April 2014, \$28,670,000 was refunded and \$5,465,000 was cash defeased.</p>	27,120,000	61,255,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$7,680,000 was refunded. In April 2014, \$22,960,000 was refunded and \$32,865,000 was cash defeased.</p>	\$ 28,130,000	\$ 89,085,000
<p>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. In February 2013, \$24,945,000 was refunded and \$3,265,000 was cash defeased. In April 2014, \$1,750,000 was refunded and \$50,180,000 was cash defeased.</p>	59,420,000	119,635,000
<p>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. In February 2013, \$13,100,000 was cash defeased. In April 2014, \$46,260,000 was cash defeased.</p>	86,590,000	148,495,000
<p>Series 2004C Bonds issued June 23, 2004 for the aggregate amount of \$200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%. In February 2010, \$31,640,000 was refunded. In February 2012, \$82,335,000 was refunded and in February 2013 \$6,650,000 was cash defeased. In April 2014, \$6,200,000 was cash defeased.</p>	16,400,000	30,210,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$167,480,000 was the final allocation to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$13,549,109 was refunded. In October 2010, \$6,528,667 was refunded. In February 2012, \$38,610,798 was refunded and in February 2013, \$4,260,000 was cash defeased. In April 2014, \$13,312,319 was cash defeased.</p>	\$ 26,785,274	\$ 57,059,785
Subtotal-Wastewater	<u>1,230,046,096</u>	<u>1,490,454,785</u>
 <u>Drinking Water Fund:</u>		
<p>Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of \$68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, \$14,559,178 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	14,559,178	-
<p>Series 2014A Bonds issued April 24, 2014 for the aggregate amount of \$18,575,000 maturing on February 1, 2015 at an interest rate of 2.00%. Of this, \$5,520,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.</p>	5,520,000	-
<p>Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2029 at interest rates ranging from 3.00% to 5.00%. Of this, \$12,880,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	12,880,000	12,880,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2021 to February 1, 2032 at interest rates ranging from 4.00% to 5.00%. Of this, \$10,180,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.</p>	\$ 10,180,000	\$ 10,180,000
<p>Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$17,145,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.</p>	16,375,000	17,005,000
<p>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.</p>	7,550,000	11,720,000
<p>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.</p>	49,870,000	49,870,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, \$7,555,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	\$ 7,555,000	\$ 7,555,000
<p>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.</p>	16,475,000	17,200,000
<p>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.</p>	41,535,000	42,015,000
<p>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.</p>	15,360,000	15,775,000
<p>Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, \$1,695,000 was refunded and \$7,295,000 was cash defeased.</p>	13,770,000	23,985,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
<p>Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2014, \$3,500,000 was refunded and \$1,040,000 was cash defeased.</p>	\$ 3,630,000	\$ 8,565,000
<p>Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$2,745,000 was refunded. In April 2014, \$9,740,000 was refunded.</p>	6,155,000	17,770,000
<p>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. In February 2013, \$4,405,000 was refunded. In April 2014, \$85,000 was cash defeased.</p>	7,145,000	8,155,000
<p>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. In February 2013, \$5,920,000 was refunded. In April 2014, \$22,300,000 was cash defeased.</p>	23,250,000	46,885,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$2,310,891 was refunded. In October 2010, \$1,201,333 was refunded. In February 2012, \$7,669,202 was refunded. In April 2014, \$3,622,681 was cash defeased.	<u>\$ 5,199,726</u>	<u>\$ 12,115,215</u>
Subtotal-Drinking Water	<u>257,008,904</u>	<u>301,675,215</u>
Total Principal	1,487,055,000	1,792,130,000
Net premium on bonds payable	<u>131,417,475</u>	<u>148,910,821</u>
Total Bonds Payable	1,618,472,475	1,941,040,821
Less: Current portion	<u>124,155,000</u>	<u>101,565,000</u>
Long-term Portion	<u>\$1,494,317,475</u>	<u>\$1,839,475,821</u>

In April 2014, the Authority issued \$68,350,000 2014B Refunding Bonds. The bonds were sold at a premium and refunded \$70,205,000 par amount of prior debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2006B, 2007A, and 2007B Bonds. Net present value savings were \$3,053,593.

In coordination with the 2014B Refunding Bonds, the Authority cash defeased in advance of their stated maturity dated portions of the 2004B, 2004C, 2006A, 2006B, 2007A, and 2007B Bonds. Cash and securities in a sufficient amount were deposited into an escrow fund, which will pay principal and interest on \$331,036,450 worth of prior debt service if the bonds were held to maturity.

In February 2013, the Authority issued Series 2013A Refunding Bonds for the aggregate amount of \$45,090,000. The bonds were sold at a premium and refunded \$45,695,000 of prior debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2005A, 2006A, and 2006B Bonds. Debt service payments on the new bonds are \$4,420,613 less than on the refunded bonds and the economic gain was \$3,727,079.

In coordination with the 2013A Refunding Bonds, the Authority cash defeased in advance of their stated maturity dates portions of Series 2004B, 2004C, 2005A, and 2006A Bonds. A cash deposit of \$30,654,563 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling \$36,885,813.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - BONDS PAYABLE (CONTINUED)

The bonds referred to above are considered to have been defeased and have been removed from the combined financial statements and in total have remaining outstanding balances of \$547,250,000 and \$256,815,000 as of June 30, 2014 and 2013, respectively.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

NOTE 6 - BONDS PAYABLE (CONTINUED)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2014, are as follows:

	<u>Principal</u>			<u>Interest</u>			<u>Debt Service Total</u>
	<u>Wastewater Fund</u>	<u>Drinking Water Fund</u>	<u>Total</u>	<u>Wastewater Fund</u>	<u>Drinking Water Fund</u>	<u>Total</u>	
2015	\$ 103,293,305	\$ 20,861,695	\$ 124,155,000	\$ 58,112,889	\$ 11,934,809	\$ 70,047,698	\$ 194,202,698
2016	92,680,000	19,265,000	111,945,000	54,409,708	11,341,548	65,751,256	177,696,256
2017	92,326,233	20,683,767	113,010,000	50,167,271	10,444,148	60,611,419	173,621,419
2018	94,006,506	22,318,494	116,325,000	45,612,284	9,409,285	55,021,569	171,346,569
2019	96,280,123	19,579,877	115,860,000	41,011,421	8,278,035	49,289,456	165,149,456
2020-2024	377,524,929	91,210,071	468,735,000	141,968,998	27,428,733	169,397,731	638,132,731
2025-2029	265,680,000	44,440,000	310,120,000	63,349,331	11,203,300	74,552,631	384,672,631
2030-2032	<u>108,255,000</u>	<u>18,650,000</u>	<u>126,905,000</u>	<u>9,858,750</u>	<u>1,659,000</u>	<u>11,517,750</u>	<u>138,422,750</u>
	1,230,046,096	257,008,904	1,487,055,000	464,490,652	91,698,858	556,189,510	2,043,244,510
Premium	<u>110,536,425</u>	<u>20,881,050</u>	<u>131,417,475</u>	-	-	-	<u>131,417,475</u>
Total	<u>\$1,340,582,521</u>	<u>\$277,889,954</u>	<u>\$1,618,472,475</u>	<u>\$464,490,652</u>	<u>\$91,698,858</u>	<u>\$556,189,510</u>	<u>\$2,174,661,985</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 6 - 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%	2015-2032	\$ 28,285,000 - \$103,293,305	\$1,230,046,096
Drinking Water Fund	2.00% - 5.50%	2015-2032	3,800,000 - 22,318,495	<u>257,008,904</u>
Combined Programs	2.00% - 5.50%	2015-2032	32,085,000 - 124,155,000	1,487,055,000
Less: Current Portion				<u>(124,155,000)</u>
Total Long-term Portion				<u>\$1,362,900,000</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 7 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2014 and 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2014:						
Amount due to federal government	\$ 2,828,227	\$ -	\$ (2,828,227)	\$ -	\$ -	\$ -
Bonds payable	1,792,130,000	86,925,000	(392,000,000)	1,487,055,000	124,155,000	1,362,900,000
Net premium on bonds payable	<u>148,910,821</u>	<u>11,890,479</u>	<u>(29,383,825)</u>	<u>131,417,475</u>	<u>-</u>	<u>131,417,475</u>
	<u>\$1,943,869,048</u>	<u>\$98,815,479</u>	<u>\$(424,212,052)</u>	<u>\$1,618,472,475</u>	<u>\$124,155,000</u>	<u>\$1,494,317,475</u>
June 30, 2013:						
Amount due to federal government	\$ 1,829,518	\$ 998,709	\$ -	\$ 2,828,227	\$ 1,610,500	\$ 1,217,727
Bonds payable	1,692,285,000	293,940,000	(194,095,000)	1,792,130,000	101,565,000	1,690,565,000
Net premium on bonds payable	<u>113,287,088</u>	<u>55,186,533</u>	<u>(19,562,800)</u>	<u>148,910,821</u>	<u>-</u>	<u>148,910,821</u>
	<u>\$1,807,401,606</u>	<u>\$350,125,242</u>	<u>\$(213,657,800)</u>	<u>\$1,943,869,048</u>	<u>\$103,175,500</u>	<u>\$1,840,693,548</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013**

NOTE 8 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its combined financial statements. In its Intended Use Plans, the SRF Programs retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2014, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2014 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 2014, to date, the following transfers were made:

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

NOTE 9 - PROGRAM REVENUE

For the years ended June 30, 2014 and 2013, program revenues consisted of the following:

	2014	2013
Interest and other income	\$ 70,254,737	\$ 90,742,472
Capital grants and contributions	<u>58,515,340</u>	<u>45,058,614</u>
	<u>\$128,770,077</u>	<u>\$135,801,086</u>

OTHER SUPPLEMENTARY INFORMATION

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET POSITION INFORMATION
June 30, 2014 and 2013

	Waste water Program		Drinking Water Program		Combined	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
ASSETS						
Current Assets:						
Cash and equivalents	\$ 457,454,985	\$ 428,339,178	\$ 91,570,084	\$ 65,522,715	\$ 549,025,069	\$ 493,861,893
Interest receivable-investments	687,036	2,204,206	169,461	216,124	856,497	2,420,330
Interest receivable-loans	19,864,502	20,276,288	3,595,901	3,728,500	23,460,403	24,004,788
Due from EPA	33,790,000	29,976,000	13,203,853	10,498,294	46,993,853	40,474,294
Accounts receivable	2,000	-	-	-	2,000	-
Loans receivable, net	100,226,903	84,709,996	27,182,052	20,550,268	127,408,955	105,260,264
Total Current Assets	<u>612,025,426</u>	<u>565,505,668</u>	<u>135,721,351</u>	<u>100,515,901</u>	<u>747,746,777</u>	<u>666,021,569</u>
Noncurrent Assets:						
Investments	151,525,730	398,645,450	80,358,325	119,580,837	231,884,055	518,226,287
Loans receivable, net	1,548,927,417	1,613,251,978	325,554,615	356,560,545	1,874,482,032	1,969,812,523
Equipment, net	319,150	294,464	67,750	70,750	386,900	365,214
Total Noncurrent Assets	<u>1,700,772,297</u>	<u>2,012,191,892</u>	<u>405,980,690</u>	<u>476,212,132</u>	<u>2,106,752,987</u>	<u>2,488,404,024</u>
Total Assets	<u>2,312,797,723</u>	<u>2,577,697,560</u>	<u>541,702,041</u>	<u>576,728,033</u>	<u>2,854,499,764</u>	<u>3,154,425,593</u>
DEFERRED OUTFLOWS OF RESOURCES						
Loss on debt refunding	32,693,341	29,584,917	5,814,440	4,841,700	38,507,781	34,426,617
Total Deferred Outflows of Resources	<u>32,693,341</u>	<u>29,584,917</u>	<u>5,814,440</u>	<u>4,841,700</u>	<u>38,507,781</u>	<u>34,426,617</u>
LIABILITIES						
Current Liabilities:						
Interest payable	23,952,175	29,865,529	4,856,028	5,983,927	28,808,203	35,849,456
Accounts payable	283,080	262,900	162,199	14,135	445,279	277,035
Amount due to federal government	-	1,328,439	-	282,061	-	1,610,500
Bonds payable-current, net	103,293,305	86,097,192	20,861,695	15,467,808	124,155,000	101,565,000
Total Current Liabilities	<u>127,528,560</u>	<u>117,554,060</u>	<u>25,879,922</u>	<u>21,747,931</u>	<u>153,408,482</u>	<u>139,301,991</u>
Long-term Liabilities:						
Amount due to federal government	-	977,726	-	240,001	-	1,217,727
Bonds payable, net	1,237,289,216	1,530,030,609	257,028,259	309,445,212	1,494,317,475	1,839,475,821
Total Long-term Liabilities	<u>1,237,289,216</u>	<u>1,531,008,335</u>	<u>257,028,259</u>	<u>309,685,213</u>	<u>1,494,317,475</u>	<u>1,840,693,548</u>
Total Liabilities	<u>1,364,817,776</u>	<u>1,648,562,395</u>	<u>282,908,181</u>	<u>331,433,144</u>	<u>1,647,725,957</u>	<u>1,979,995,539</u>
NET POSITION						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 980,673,288</u>	<u>\$ 958,720,082</u>	<u>\$ 264,608,300</u>	<u>\$250,136,589</u>	<u>\$1,245,281,588</u>	<u>\$1,208,856,671</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
Years Ended June 30, 2014 and 2013

	Wastewater Program		Drinking Water Program		Combined	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
OPERATING REVENUE						
Interest income-investments	\$ 8,554,183	\$ 27,272,324	\$ 2,721,021	\$ 1,594	\$ 11,275,204	\$ 27,273,918
Interest income-loan participants	47,834,453	51,797,355	10,762,687	11,258,669	58,597,140	63,056,024
Other	<u>14,000</u>	<u>24,000</u>	<u>368,393</u>	<u>388,530</u>	<u>382,393</u>	<u>412,530</u>
Total Operating Revenue	<u>56,402,636</u>	<u>79,093,679</u>	<u>13,852,101</u>	<u>11,648,793</u>	<u>70,254,737</u>	<u>90,742,472</u>
OPERATING EXPENSES						
Interest	67,233,441	62,683,257	12,591,469	12,345,137	79,824,910	75,028,394
Bond issuance costs	735,484	2,212,427	227,479	380,767	962,963	2,593,194
Trustee fees	51,351	362,402	-	5,210	51,351	367,612
Other program and administrative	<u>369,154</u>	<u>2,589,217</u>	<u>(27,518)</u>	<u>562,463</u>	<u>341,636</u>	<u>3,151,680</u>
Total Operating Expenses	<u>68,389,430</u>	<u>67,847,303</u>	<u>12,791,430</u>	<u>13,293,577</u>	<u>81,180,860</u>	<u>81,140,880</u>
OPERATING INCOME (LOSS)	(11,986,794)	11,246,376	1,060,671	(1,644,784)	(10,926,123)	9,601,592
NONOPERATING REVENUES AND (EXPENSES)						
Capital contributions	37,003,474	34,435,304	21,511,866	10,623,310	58,515,340	45,058,614
Loan forgiveness	<u>(3,063,474)</u>	<u>(3,291,149)</u>	<u>(8,100,826)</u>	<u>(127,151)</u>	<u>(11,164,300)</u>	<u>(3,418,300)</u>
Total Nonoperating Revenues and (Expenses)	<u>33,940,000</u>	<u>31,144,155</u>	<u>13,411,040</u>	<u>10,496,159</u>	<u>47,351,040</u>	<u>41,640,314</u>
INCREASE IN NET POSITION	21,953,206	42,390,531	14,471,711	8,851,375	36,424,917	51,241,906
NET POSITION						
Beginning of Year	<u>958,720,082</u>	<u>916,329,551</u>	<u>250,136,589</u>	<u>241,285,214</u>	<u>1,208,856,671</u>	<u>1,157,614,765</u>
End of Year	<u>\$ 980,673,288</u>	<u>\$ 958,720,082</u>	<u>\$ 264,608,300</u>	<u>\$ 250,136,589</u>	<u>\$ 1,245,281,588</u>	<u>\$ 1,208,856,671</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2014 and 2013

	Waste water Program		Drinking Water Program		Combined	
	2014	Restated 2013	2014	Restated 2013	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (2,708,490)	\$ (2,165,751)	\$ 15,913	\$ 2,637	\$ (2,692,577)	\$ (2,163,114)
Administration fee	14,000	24,000	6,000	13,000	20,000	37,000
Net Cash Provided (Used) by Operating Activities	<u>(2,694,490)</u>	<u>(2,141,751)</u>	<u>21,913</u>	<u>15,637</u>	<u>(2,672,577)</u>	<u>(2,126,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	161,880,975	246,086,549	39,029,516	19,488,730	200,910,491	265,575,279
Issuance of loans to participants	(113,073,321)	(359,171,742)	(14,655,370)	(40,956,856)	(127,728,691)	(400,128,598)
Change in investments	247,119,721	(144,222,590)	39,222,512	(49,638,185)	286,342,232	(193,860,775)
Interest received on loans and investments	58,317,592	72,435,684	13,662,970	9,260,398	71,980,562	81,696,082
Purchase of capital assets	(24,686)	(92,417)	3,000	(8,583)	(21,686)	(101,000)
Net Cash Provided (Used) by Investing Activities	<u>354,220,281</u>	<u>(184,964,516)</u>	<u>77,262,628</u>	<u>(61,854,496)</u>	<u>431,482,908</u>	<u>(246,819,012)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	66,845,822	301,398,041	20,079,178	47,728,492	86,925,000	349,126,533
Principal payments to reduce indebtedness including refunding	(345,499,526)	(181,728,820)	(68,074,984)	(32,347,715)	(413,574,510)	(214,076,535)
Payment of debt issuance costs, net of refunding	(735,484)	(2,212,427)	(227,479)	(380,767)	(962,963)	(2,593,194)
Interest paid on debt	(73,146,795)	(61,006,628)	(13,719,368)	(12,175,570)	(86,866,163)	(73,182,198)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(352,535,983)</u>	<u>57,237,564</u>	<u>(61,942,653)</u>	<u>3,035,751</u>	<u>(414,478,636)</u>	<u>59,274,606</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital Contributions (EPA Grants)	33,189,474	35,720,304	18,806,307	12,125,685	51,995,781	47,845,989
Issuance of forgivable loans to participants	(3,063,474)	(3,291,149)	(8,100,826)	(127,151)	(11,164,300)	(3,418,300)
Net Cash Provided by Capital Financing Activities	<u>30,126,000</u>	<u>32,429,155</u>	<u>10,705,481</u>	<u>11,998,534</u>	<u>40,831,481</u>	<u>44,427,689</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	29,115,808	(98,226,946)	26,047,369	(47,015,885)	55,163,176	(145,242,831)
CASH AND EQUIVALENTS						
Beginning of Year	<u>428,339,178</u>	<u>526,566,124</u>	<u>65,522,715</u>	<u>112,538,600</u>	<u>493,861,893</u>	<u>639,104,724</u>
End of Year	<u>\$ 457,454,986</u>	<u>\$ 428,339,178</u>	<u>\$ 91,570,084</u>	<u>\$ 65,522,715</u>	<u>\$ 549,025,069</u>	<u>\$ 493,861,893</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (11,986,794)	\$ 11,246,376	\$ 1,060,671	\$ (1,644,784)	\$ (10,926,123)	\$ 9,601,592
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Interest income	(56,388,636)	(79,069,679)	(13,483,708)	(11,260,263)	(69,872,344)	(90,329,942)
Interest expense	67,233,441	62,683,257	12,591,469	12,345,137	79,824,910	75,028,394
Bond issuance costs	735,484	2,212,427	227,479	380,767	962,963	2,593,194
Changes in assets and liabilities:						
Accounts receivable	(2,000)	-	-	-	(2,000)	-
Accounts payable	20,180	(1,530)	148,064	(16,531)	168,244	(18,061)
Amount due to federal government	(2,306,165)	787,398	(522,062)	211,311	(2,828,227)	998,709
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,694,490)</u>	<u>\$ (2,141,751)</u>	<u>\$ 21,913</u>	<u>\$ 15,637</u>	<u>\$ (2,672,577)</u>	<u>\$ (2,126,114)</u>



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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
INDEPENDENT AUDITORS' REPORTS**

June 30, 2014

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

CONTENTS

	Page
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Schedule of Expenditures of Federal Awards	3-4
Independent Auditors' Report on Compliance For Each Major Federal Program, on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards as Required by <i>OMB Circular A-133</i>	5-7
Schedule of Findings and Questioned Costs	8-9

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Financing Authority, which comprise the combined statement of net position as of June 30, 2014, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 25, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 25, 2014

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014**

	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	\$ 178,474
	66.458	CS 18000112-0	34,061,000	835,000
	66.458	CS 18000113-0	32,176,000	2,200,000
	66.458	CS 18000114-0	33,790,000	<u>33,790,000</u>
				<u>37,003,474</u>
 Capitalization Grants for Drinking Water State Revolving Funds				
	66.468	FS98548610-0	22,185,240	149,760
	66.468	FS98548611-0	15,394,820	2,399,020
	66.468	FS98548612-0	14,970,000	2,902,046
	66.468	FS98548613-0	13,484,160	3,000,000
	66.468	FS98548613-0	561,840	362,393
	66.468	FS98548614-0	13,061,040	13,061,040
	66.468	FS98548614-0	1,000,000	-
	66.468	FS98548614-0	286,960	-
				<u>21,874,259</u>
				<u>\$ 58,877,733</u>

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, 2014**

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - 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	\$37,003,474
Capitalization Grants for Drinking Water State Revolving Funds	66.468	21,511,866

At June 30, 2014, the balance of ARRA forgivable loans was \$24,092,658, and loans forgiven during fiscal year 2014 were \$11,164,300.

*Independent Auditors' Report on Compliance For
Each Major Federal Program,
on Internal Control Over Compliance,
and on the Schedule of Expenditures of Federal Awards
as Required by OMB Circular A-133*

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State Revolving Fund Loan Programs' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State Revolving Fund Loan Programs' compliance.

Opinion on Each Major Federal Program

In our opinion, the State Revolving Fund Loan Programs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of their major federal programs for the year ended June 30, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State Revolving Fund Loan Programs' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and have issued our report thereon dated September 25, 2014, which contained an unmodified opinion on those combined financial statements. Our audit was conducted for the purpose of forming opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 25, 2014

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

SECTION I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014**

SECTION I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$1,766,756
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

SECTION II – Financial Statement Findings

None

SECTION III – Major Federal Award Findings and Questioned Costs

None

Exhibit M



Indiana Finance Authority State Revolving Fund Loan Programs

Drinking Water Projects Closed State Fiscal Year 2014

- **Drinking Water
2014 Projects**
\$14.8 Million
10 Loans

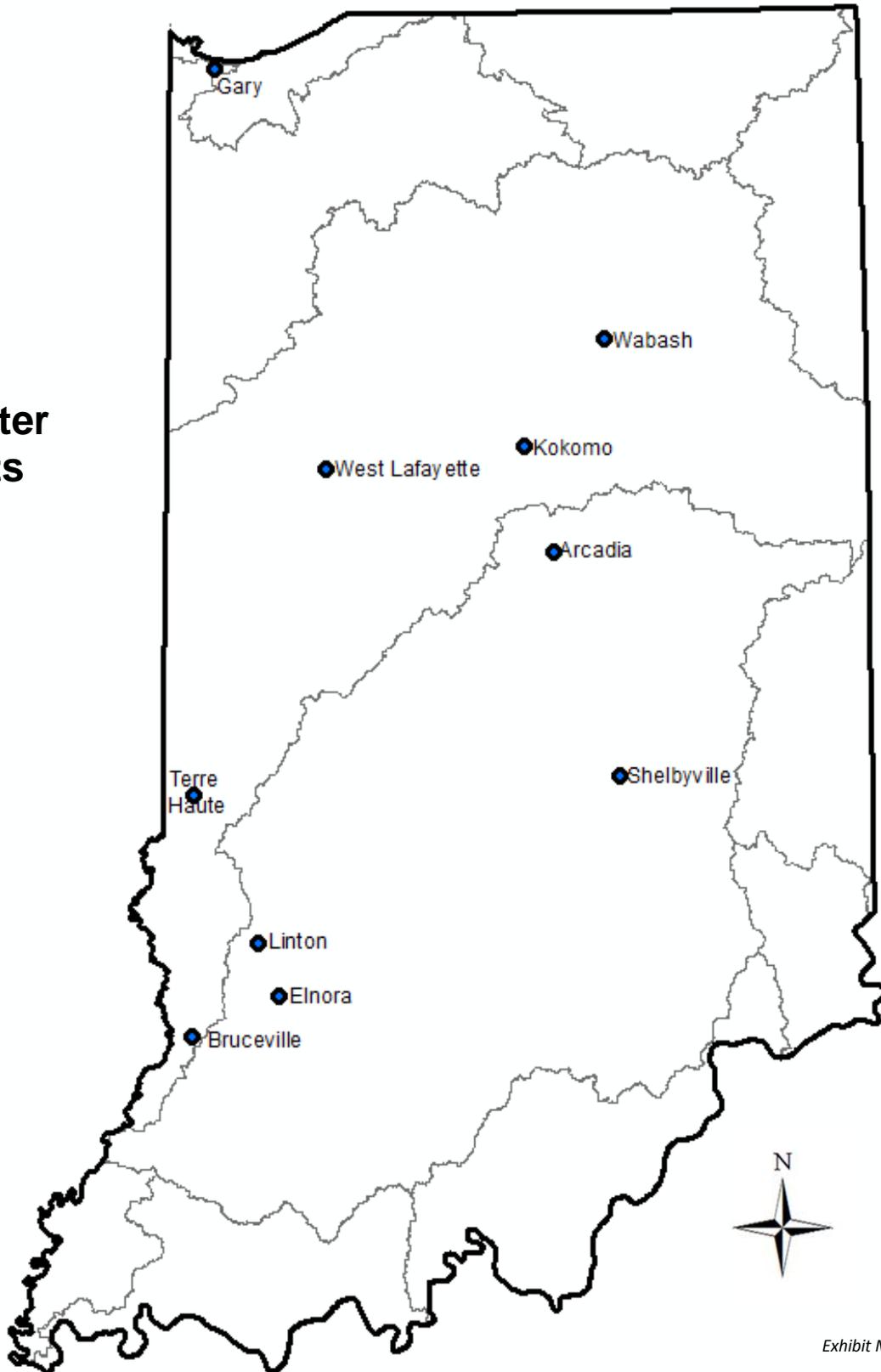


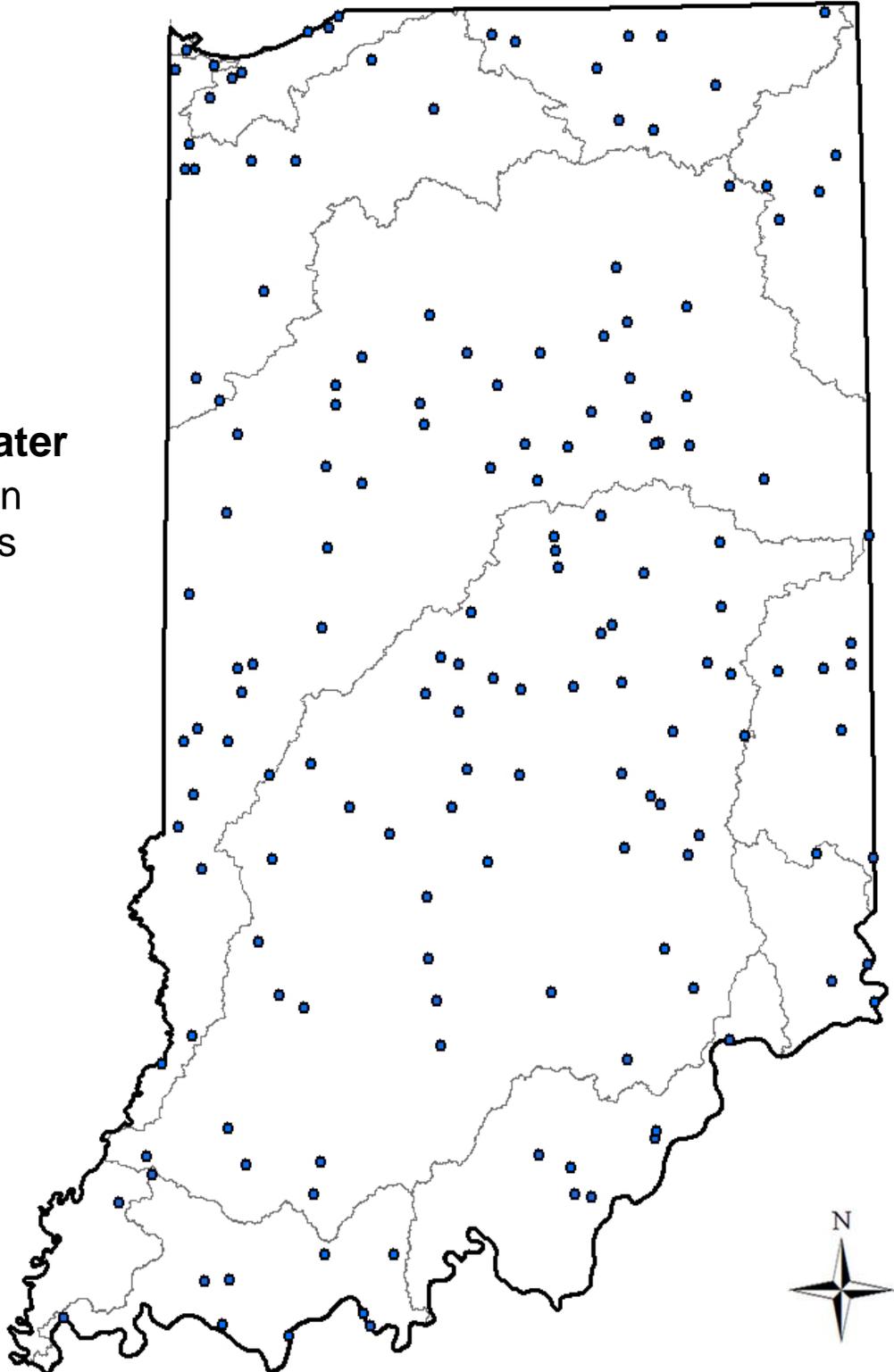
Exhibit N



Indiana Finance Authority State Revolving Fund Loan Programs

All Drinking Water Projects Closed Since 1999

● **Drinking Water**
\$577.7 Million
205 Loans



Indiana DWSRF Loan Program
Exhibit O - Summary of Set-Aside Funds in SFY 2014

Capitalization Grant Year	Set-Aside	Current Award Amount	Balance on 7/1/2013	ASAP Activity Date	Activity Amount	Description	Balance on 6/30/2014
2013	Administrative	561,840.00	561,840.00	09/30/13	(55,878.69)	DW Administrative Expenses	
				12/31/13	(91,219.02)	DW Administrative Expenses	
				03/31/14	(86,616.53)	DW Administrative Expenses	
				06/30/14	(141,562.67)	DW Administrative Expenses	
							186,563.09
2014	Administrative	286,960.00	286,960.00				286,960.00