

# **STATE OF INDIANA**

## **Drinking Water State Revolving Fund Loan Program**



**Annual Report  
State Fiscal Year 2015  
July 1, 2015**

STATE OF INDIANA  
 DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM  
STATE FISCAL YEAR 2015 ANNUAL REPORT

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STATE OF INDIANA  
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM  
STATE FISCAL YEAR 2015 ANNUAL REPORT

I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2015 (July 1, 2014 - June 30, 2015). 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. STATE REVOLVING FUND (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 2015 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 2015 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 2015, the Authority chose to continue the Green Project Reserve (GPR) Sustainability Incentive Program, which provides an interest rate break incentive to State Revolving Fund participants that incorporate green project components into their projects. In SFY 2015, green projects accounted for 30%, or \$4,206,789 of the 2015 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 2015 Capitalization Grant in the form of Additional Subsidization. Additional Subsidization may be in the form of principal forgiveness, negative interest rate loans, or grants. The revised 2015 Capitalization Grant was awarded on August 5, 2015 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2015 Capitalization Grant. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidization in the form of principal forgiveness. As of June 30, 2015, the DWSRF Loan Program has provided a total of \$21.7 million dollars in Additional Subsidization from Capitalization grants and met the Additional Subsidization goals of the 2010-2014 Capitalization grants. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant (Indiana SRF has four years in which to spend the Additional Subsidization), however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. Priority for Additional Subsidization was given to communities that could not otherwise afford such projects.

Another goal of the program is to document projects that are categorized as Equivalency Projects. The purpose of Equivalency within the SRF programs is to allow states to select groups of loans the sum of which is equal to the amount of a capitalization grant to meet specific federal requirements for the program. For the DWSRF Loan Program these requirements include, meeting crosscutter requirements, single audit requirements, Federal Funding Accountability and Transparency Act reporting requirements and the Signage Requirement. Exhibit D, Equivalency Projects by Capitalization Grant Year, lists the equivalency projects and the equivalency requirements of the program in SFY 2015.

#### 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 2015 is attached in Exhibit E.

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

The Authority has fully met its State Match requirements through the end of SFY 2015 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). To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the EPA awarded \$242,967,100 in federal Capitalization Grants the Authority was required to match through June 30, 2015.

In SFY 2015, the Authority utilized the State Program management set-aside to complete drinking water goals. The program requires the state to provide an additional \$1,000,000 in state match. The source of this required match was provided in equal parts from the 1993 Public Water System Supervision state provided overmatch and the 2015 Public Water System Supervision state-

provided overmatch. Federal draws on this set-aside did not begin in SFY 2015. More information on the State Program management set-aside program can be found in Section X of this report.

See Exhibit F for a history of the Capitalization Grants awarded to the DWSRF Loan Program. Exhibit G details State Match deposited in the DWSRF through the end of SFY 2015, 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 2015, the DWSRF Loan Program financed 12 loans totaling \$24,902,000. Since the DWSRF Loan Program's inception in 1997, over 218 loans aggregating over approximately \$602.6 million dollars have been financed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program (\$270,179,100). For a summary of all financings by the DWSRF Loan Program during SFY 2015, see Exhibit H.

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

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 \$222 million in outstanding principal as of June 30, 2015, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit I: 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. Beginning July 1, 2015 the Authority

moved away from using the 2000 Census data to the Five-year American Communities Survey MHI.

In SFY 2015, the DWSRF Loan Program offered interest rates ranging from a low of 2.00% to a high of 2.80%. A summary of SFY 2015 possible interest rates for non-Pooled DWSRF Loans is set forth in Exhibit J.

In SFY 2015, the subsidized DWSRF Loan Program interest rate provided an estimated savings of \$9,727,376 to participants who closed a DWSRF Loan Program loan. See “SRF Savings” column Exhibit H for savings provided to each participant.

**B. Terms**

Consistent with applicable laws, all DWSRF Loan Program loans closed in SFY 2015 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 2015, the DWSRF Loan Program provided \$3,720,000 of Additional Subsidization in the form of principal forgiveness to 3 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 2015, 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 2015, the DWSRF Loan Program collected \$10,000 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 2015. For a historic summary of transfers, see Exhibit K.

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 2015, which ended June 30, 2015, the DWSRF Loan Program received an unqualified opinion from an independent auditor, as described in Exhibit L.

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. Circular A-133 was consolidated into 2 CFR 200 Subpart F, the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (“Super Circular”). Effective for non-federal entities on December 26, 2014. For SFY 2015, which ended June 30, 2015, 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 M.

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;

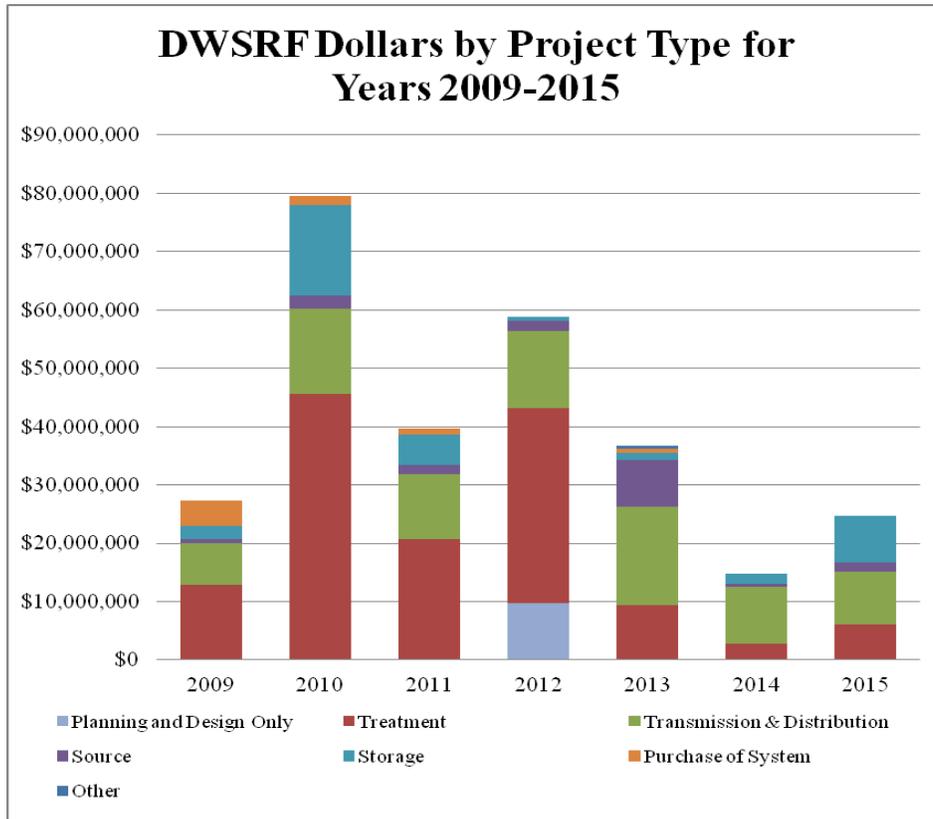
- closed loans equal more than the required 120% of each quarterly Capitalization Grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been done in accordance with federal and state law. All loans made during the SFY 2015 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 2015.
- Beginning in SFY 2015 the Authority added one point to the SRF scoring system for projects that consider climate resiliency in planning and design.

- 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 2015 is attached as Exhibit N. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit O.

In 2015, DWSRF dollars were spent predominately on Transmission and Distribution, and Storage projects. See *DWSRF Dollars by Project Type for Years 2009-2015*



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 2015, 81% or \$20,204,000 of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water

Act; 19%, or \$4,698,000, went towards projects that assisted non-compliant systems to achieve compliance.

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

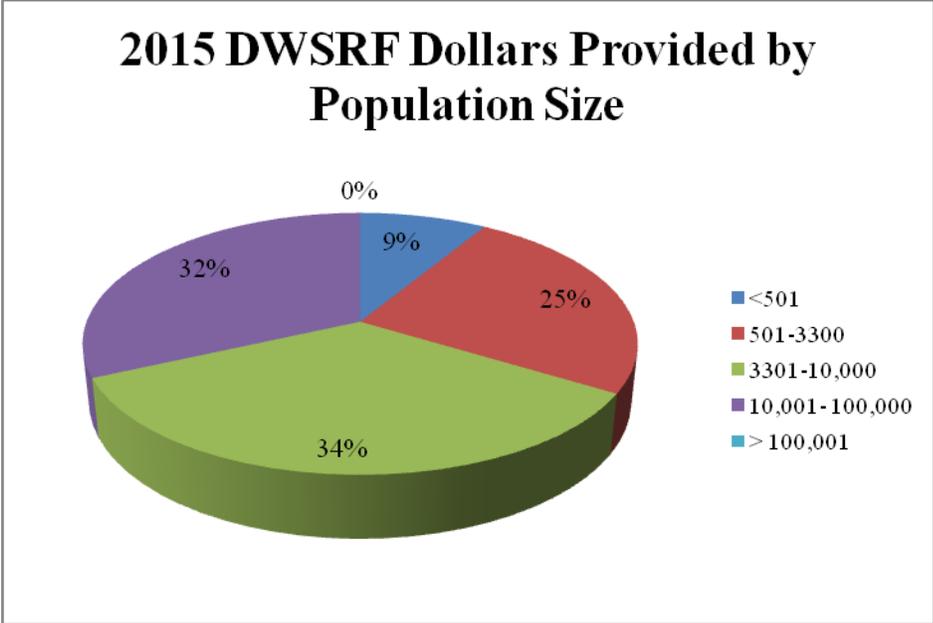
The Authority is responsible for managing the Set-Aside funds. See Exhibit P for a summary of Set-Aside activities.

In SFY 2015, the Authority utilized the State Program management set-aside to complete drinking water goals. Under this program the Authority and third-party contractors are conducting a survey of the operations of certain water utilities and are preparing an analysis of the planning and long range needs of the water utilities that serve the fifteen most populous cities in Indiana and five additional small water utilities serving less than 10,000 residents. The Authority is also coordinating with and assisting utilities in the completion of Surface Water Emergency Response Plans (SWERP) for each of the approximately 40 public water systems in the State that rely upon surface water and is completing a report that describes the State's water resources for the purpose of long term planning.

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

Of the total amount available for assistance from the DWSRF Loan Program 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 2015, 68% of DWSRF funds went to systems serving fewer than 10,000 persons, as shown in *2015 DWSRF Dollars Provided by Population Size*. Cumulatively, the DWSRF Loan Program has provided 42% 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 2015, the Authority provided approximately \$4,382,000 to two disadvantaged community. The total disadvantaged population served was 14,103 persons.

Exhibit A  
Goals and Objectives of the DWSRF Loan Program State Fiscal Year (SFY) 2015 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) 2015, while long-term goals and objectives are those the State expects to achieve over a longer period.

**A. Short-Term Goals and Objectives**

During SFY 2015, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

ST1 Goal: Seek the immediate award of the Federal Fiscal Year (FFY) 2015 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2015 Capitalization Grant can promptly be utilized.

**Result: The revised FFY 2015 Capitalization Grant was awarded to the Authority on August 5, 2015. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2015 Capitalization Grant was fully drawn, other than the amount reserved for Additional Subsidization and set-aside amounts.**

ST1a Goal: Ensure that at least 20% but no more than 30% of the 2015 Capitalization Grant is used to provide Additional Subsidization in the form of principal forgiveness, negative interest loans or grants.

**Result: The revised 2015 Capitalization Grant was awarded on August 5, 2015 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2015 Capitalization Grant. In SFY 2015, the Authority provided \$3,720,000 of Additional Subsidization in the form of principle forgiveness to 3 loan recipients. As of June 30, 2015, the DWSRF Loan Program has provided a total of \$21.7 million dollars in Additional Subsidization from the 2010-2014 Capitalization Grants, meeting the Additional Subsidization goals of the 2010-2014 Capitalization Grants, and meeting 5% of the 2015 Capitalization Grant Additional Subsidization goal. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, the Authority shall use its best efforts 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 2015 Capitalization Grant.

**Result: The DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to follow Davis Bacon wage rules. Further, each Participant provided the Authority with documentation certifying its compliance with Davis Bacon.**

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

**Result: The DWSRF Loan Program reviewed the details of all closings in SFY 2015 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.**

ST1d Goal: If practical, identify equivalency projects in Exhibit E (of the IUP). List equivalency projects in Annual Report.

**Result: Equivalency projects were projected in the 2015 Intended Use Plan and the selected equivalency projects can be found in Exhibit D of this Annual Report.**

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 2015, 81% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 19%, or \$4,698,000, went towards projects that assisted non-compliant systems to achieve compliance.**

ST3 Goal: Conduct at least 30 technical inspections (includes both wastewater and drinking water systems) 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 23 clean water and 15 drinking water inspections in SFY 2015, thus exceeding its goal.**

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 2015, 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 12 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 2015, 12 DWSRF loans were closed. See Exhibit H, Summary of Closed Loans for SFY 2015.**

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 I, 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 Mellon Trust Company, 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 accounts and the bond and interest accounts on a monthly 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 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 Participant's 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 incurring eligible expenses to minimize un-liquidated obligations.

**The revised 2015 Capitalization Grant was awarded on August 5, 2015. The 2015 Capitalization Grant was accessed within 21 days of receiving the revised award.**

LT8 Goal: Periodically publish an SRF Loan Program newsletter.

**Result: The SRF Loan Program published a newsletter in May of 2015.**

LT9 Goal: Develop a software database for staff to reference financial information related to each SRF financing.

**Result: The Authority continues to develop a software database for staff. The Authority has engaged a new software vendor in SFY 2015 to provide a software that will meet the needs of the SRF Program.**

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: 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.**

LT12 Goal: Ensure that the DWSRF Loan Program and its Participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters, the signage requirement, 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, the signage requirement and the Single Audit Act (2 CFR 200 Subpart F “Super Circular”).**

LT13 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 2015, green projects accounted for 30%, or \$4,206,789 of the 2015 Capitalization Grant. See Exhibit B, Green Project Reserve by Capitalization Grant Year.**

LT14 Goal: Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances. Continue 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 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.**

LT15 Goal: Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

**Result: In SFY 2015, 68% of DWSRF funds went to systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 42% of its funds to small systems.**

LT16 Goal: Complete an internal drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Projects.

**Result: In SFY 2015, 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 the Indiana Rural Water Association Conference .**

LT17 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.**

LT18 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 2015 Capitalization Grant =**  
Green Project Reserve Provided =

\$14,253,000  
\$4,206,789 30%

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
Washington Township Water Corp of Monroe	Water Main Replacement	\$1,500,000	\$1,500,000	water main replacement	\$ -	\$140,345		\$ -	\$ 140,345	12/15/2014	12/6/2013
Yorktown	install a new water well	\$1,200,000	\$1,200,000	ductile iron pipe				\$ 344,050	\$ 344,050	12/2/2014	12/6/2013
Gentryville	New meter pit, water mains, storage tank, booster station, SCADA	\$1,390,000	\$1,390,000	SCADA		\$ 114,092			\$ 114,092	12/16/2014	12/6/2013
Greencastle	WTP Improvements: surface w	\$2,900,000	\$2,900,000	Ductile Iron Piping				\$ 187,340	\$ 187,340	12/16/2014	12/6/2013
Jackson County Water	Rehab and replace distribution	\$4,960,000	\$4,960,000	Automatic Meter Reading System		\$ 761,962			\$ 761,962	12/16/2014	12/6/2013
Bremen	New Water treatment plant and new wells	\$2,659,000	\$2,659,000	new pumps, SCADA			\$ 2,659,000		\$ 2,659,000	7/21/2015	3/31/2015
<b>2015 Capitalization Grant TOTAL</b>									<b>\$ 4,206,789</b>		

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

**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 31%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Indianapolis Water Company (Unreserved 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 32%

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 20%

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 = \$3,000,000 21%

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
Gentryville	12/15/2014	\$ 1,390,000	\$ 20,000	\$ 1,410,000

**2013 Capitalization Grant TOTAL** **\$ 3,000,000**

**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 = \$3,000,000 21%

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Schneider	10/16/2014	\$ 229,000	\$ 1,925,000	\$ 2,154,000
Gentryville	12/15/2014	\$ -	\$ 1,075,000	\$ 1,075,000

**2014 Capitalization Grant TOTAL** **\$ 3,000,000**

**DWSRF Loan Program 2015 Capitalization Grant\* =** **\$14,253,000**  
 Additional Subsidization Required (20% to 30%) = \$2,869,600 to \$4,304,400  
 Additional Subsidization Goal = \$3,000,000  
 Additional Subsidization Provided = \$ 700,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Reynolds	5/28/2015	\$ 498,000	\$ 700,000	\$ 1,198,000

**2015 Capitalization Grant TOTAL** **\$ 700,000**

**TOTAL Additional Subsidization Provided** **\$21,700,000**

\* Additional Subsidization goal has not yet been 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. The Authority has identified communities that are eligible to receive Additional Subsidization from the 2015 grant.

**DWSRF Loan Program FFY 2015 Capitalization Grant**

\$14,253,000

Community	Project Description	Total Project Cost	will submit DBE report	complied with federal cross-cutters	will comply with the single audit act 2 CFR 200 Subpart F	complied with signage requirement	reported to FSRS to meet FFATA requirements
Schneider	Replace water main, new water treatment plant and a new well.	2,154,000	yes	yes	yes	Press Release	yes
Jackson County	Rehab and replace distribution system.	4,960,000	yes	yes	yes	Press Release	yes
Floyds Knobs Water Company	The utility has areas of low pressure and insufficient water storage. The utility plans to install new mains, reinforce some existing mains, and add a new storage tank to address these needs.	4,700,000	yes	yes	yes	Press Release	yes
Bremen	New Water treatment plant and new wells	2,659,000	yes	yes	yes	Press Release	yes
<b>Equivalency Project Cost Total:</b>		<b>14,473,000</b>					

Exhibit E  
SFY 2015 DWSRF Loan Program Project Descriptions

<b>DWSRF Participant: Washington Township Water Corp</b>	
SRF Project #: DW 14065301	DWSRF Loan Amount: \$ 1,500,000
PWS ID #: IN5253009	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 9/26/2014	Total Loan and Principle Forgiveness: \$ 1,500,000
NIMS Categories:	Estimated SRF Savings: \$ 324,161
Transmission & Distribution: \$ 1,139,032	Affected Population: 3,625
Storage: \$ 360,968	
<p>This Project:  Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The Washington Township Water Corporation needs to replace a 100,000 gallon elevated storage tank that has exceeded useful life and is insufficient to meet the current minimum standards. The Corporation's transmission system will also be impacted by the construction of I-69 Section 5.</p> <p>The water system improvements will include the relocation and upsizing of approximately 8,600 feet of 2 and 3-inch water mains to 6-inch water main, relocating and upsizing approximately 20,030 feet of 3 and 6-inch water mains to new 12-inch water main, relocating and upsizing the existing 200 gallon per minute booster station to a new 500 gpm booster station to be located about 1,200 feet north of Wylie Road and demolishing a 100,000 gallon elevated storage tank and constructing a 200,000 gallon elevated storage on the east side of SR 37. The water main improvements will lead to a reduction in water loss and makes the project eligible for a Green Project Reserve (GPR) interest rate break.</p> <p>The project will allow the Corporations system to continue to function after the construction of I-69 Section 5 and will allow the system to meet the current minimum standards according to the Recommended Standards for Water Works.</p>	

<b>DWSRF Participant: Schneider</b>	
SRF Project #: DW 13024501	DWSRF Loan Amount: \$ 229,000
PWS ID #: IN5245042	Principal Forgiveness: \$ 1,925,000
DWSRF Loan Closed: 10/16/2014	Total Loan and Principle Forgiveness: \$ 2,154,000
NIMS Categories:	Estimated SRF Savings: \$ 2,818,676
Treatment: \$ 1,083,805	Affected Population: 314
Transmission & Distribution: \$ 1,070,195	
<p>This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The Town of Schneider distribution system was aged and undersized. The system suffered with numerous dead-end lines which affect water pressure and flows in some areas. A number of hydrants were at the end of useful life and needed to be replaced and additional valves needed to be installed in order to isolate the system for maintenance and emergencies. The system has a history of high levels of hydrogen sulfide and iron. The water treatment consisted solely of disinfection, which did not reduce or eliminate the hydrogen sulfide or iron levels. In addition, two wells needed to be refurbished and raised above the 100 year flood elevation.</p> <p>The project scope is to loop and replace lines, hydrants, and valves in selected areas, refurbish two wells, provide standby power, and construct a treatment plant.</p> <p>The proposed project will improve system pressures and flows, replace undersized and aged components, improve water quality, and increase the fire protection capabilities in some areas.</p> <p>The Town of Schneider is experiencing a decreasing population and a 2013 annual average unemployment rate of 10.5%, which is higher than the state unemployment rate (2013 annual average) of 7.9%. The approved user rate after Additional Subsidization is \$68.11. MHI was also considered. Without Additional Subsidization the user rates for the utility customers would have been a hardship for this community.</p>	

<b>DWSRF Participant: Yorktown</b>	
SRF Project #: DW09671801	DWSRF Loan Amount: \$ 1,200,000
PWS ID #: IN 5218014	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 12/2/2014	Total Loan and Principle Forgiveness: \$ 1,200,000
NIMS Categories:	Estimated SRF Savings: \$ 209,289
Transmission & Distribution: \$ 565,499	Affected Population: 4,684
Source: \$ 634,501	
<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 Yorktown has three existing drinking water wells. To adequately maintain the distribution system pressure and maintain an adequate level of service for the existing and 20 year future demands the town needed to install a fourth well and related distribution system.</p> <p>The project provides a new ground water source for Yorktown by installing a new well #4, well building, and water main to connect to the existing distribution system. The well building will house the well pump, flow meter, controls and equipment necessary for chemical feed and a standby generator if funds allow. An access road will be installed to the well building. The project will utilize recycled materials, making it eligible for a GPR interest rate break.</p> <p>The project will provide Yorktown with increased drinking water system capacity which will meet the current and future demand of the community. The new ground water source will improve safety in the event of contamination of the existing source. In addition, pumping inward from the proposed new well on the outside of the distribution system would work to improve water quality and reduce short circuiting.</p>	

<b>DWSRF Participant: Greencastle</b>	
SRF Project #: DW14076701	DWSRF Loan Amount: \$ 2,900,000
PWS ID #: IN 5267004	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 12/15/2014	Total Loan and Principle Forgiveness: \$ 2,900,000
NIMS Categories:	Estimated SRF Savings: \$ 626,712
Treatment: \$ 1,972,000	Affected Population: 9,980
Storage: \$ 928,000	
<p>This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The ground water supply for the Greencastle Water Utility was determined to be under the direct influence of surface water. In order for the water treatment plant to be in compliance, the proposed improvements to the existing water treatment plant are required so it will be capable of providing surface water treatment.</p> <p>The proposed project will provide pre-chlorination, improve the coagulant feed system, provide turbidity monitoring, replace the filter media, construct a clear well tank, convert existing pumps for use as transfer pumps, add new high service pumps, improve the backwash recycle system, replace existing Supervisory Control and Data Acquisition (SCADA) controls, and rehabilitate one of the existing wells. Greencastle will utilize recycled material, making the project eligible for a GPR interest rate break.</p> <p>These improvements will allow Greencastle's existing treatment plant to achieve surface water treatment rules and meet permit requirements.</p>	

<b>DWSRF Participant: Jackson County</b>	
SRF Project #: DW14123601	DWSRF Loan Amount: \$ 4,960,000
PWS ID #: IN 5236003	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 12/15/2014	Total Loan and Principle Forgiveness: \$ 4,960,000
NIMS Categories:	Estimated SRF Savings: \$ 1,071,894
Treatment: \$ 297,600	Affected Population: 10,262
Transmission & Distribution: \$ 3,968,000	
Source: \$ 49,600	
Storage: \$ 644,800	
<b>This Project:</b> Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
<b>Project Description:</b>  The Jackson County Utility has a large system with many components reaching the end of their useful life, including the sodium hydroxide facilities at the plant, the carbon dioxide bulk tank at the plant, the pipe storage building, the Acme Tank, the Rural Booster Station, most of the water meters in the system and several lineal feet of water main that is suffering from numerous breaks due to age. The system also needs a secure billing office, a reliable way to flush and clean pipes at the well field and an emergency service connection to Jennings Water Inc. to provide a back-up source of water for the Reddington Network.  The Water System Improvements project includes the following: <ul style="list-style-type: none"> <li>• Replacing the three main pumps and one standby pump, adding variable speed drives and replacing all piping and valves at the Rural Booster Station;</li> <li>• Replacing 27,000 linear feet of the existing 8" water main from the Rural Booster station to the Clearspring Network;</li> <li>• Replacing 15,000 linear feet of existing 6" cast iron water main from McHargue Road to Roller Road;</li> <li>• Replacing approximately 3,300 meters with AMR meters;</li> <li>• Installation of a master meter and vault to create an emergency connection from the Jackson County system to the Jennings Water Company;</li> <li>• The construction of a new 600,000 gallon water tower to replace the existing Acme tank;</li> <li>• Rehabilitation of the sodium hydroxide room at the water treatment plant;</li> <li>• Replacing the existing carbon dioxide bulk tank at the water treatment plant;</li> <li>• Making improvements to the technology center at the water treatment plant;</li> <li>• The construction of a small raw water main pipe swabbing facilities in the existing well field and at the water treatment plant;</li> <li>• Rehabilitation of the pipe storage building which will include repair and replacement of the roof, masonry wall repair, replacement of doors, floor repair and building painting;</li> <li>• Replacing 1,220 linear feet of galvanized steel water main in the Brownstown Water Street area with 6" PVC water main; and 1,978 linear feet of galvanized steel water main in the Brownstown Ewing Street area with 4" PVC water main and;</li> <li>• SCADA upgrades throughout the system, which will lead to energy savings and make the project eligible for a GPR interest rate break.</li> </ul>	
The Jackson County Utility, Inc. system consists of a groundwater supply, storage tanks, booster stations and distribution system. The system has been satisfactorily maintained but requires upgrades to continue to meet the public health needs of the service area.	

<b>DWSRF Participant: Colfax</b>	
SRF Project #: DW 14011201	DWSRF Loan Amount: \$ 600,000
PWS ID #: IN 5212001	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 12/15/2014	Total Loan and Principle Forgiveness: \$ 600,000
NIMS Categories:	Estimated SRF Savings: \$ 122,563
Treatment: \$ 55,551	Affected Population: 878
Transmission & Distribution: \$ 318,897	
Source: \$ 61,456	
Storage: \$ 164,096	
<p>This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.</p> <p>Project Description:</p> <p>The Colfax system is not in compliance with Ten State Standards, portions of the plant are reaching the end of their useful life and need rehabilitated.</p> <p>The proposed project will rehabilitate the South Well by replacing pump, motor and drop pipe if an inspection finds it necessary and install security lighting at the South Well, install meter vaults on both existing wells. At the plant the proposed project will complete cleaning and rehabilitation of the Dualator steel tank, replace the filter media, install a reduced pressure zone device for backflow prevention in the chlorine ejector water supply pipe, install a standby generator, provide a chlorine detector and alarm and demolish and replace the existing garage. In the transmission system the project proposes to replace approximately 1,400 lineal feet of undersized water main and valves, install approximately 1,850 lineal feet of water main to eliminate dead ends and installing and replacing hydrants along the water main. Proposed improvements to the elevated storage tank will include recoating the tank and foundation, installing cathodic clips and pressure fittings for the future installation of a cathodic protection system, drilling drainage holes in the balcony, installing railing and painter's rigging on the tank roof, enlarging the roof hatch, installing a screened flap gate on the end of the overflow pipe, replacing the ladder, and installing a chain link fence around the tank.</p> <p>The proposed project will extend the life of the South Well and improve its pumping capacity, extend the life of the filtration equipment and elevated water tank, improve the safety of the operators, bring the disinfection system into compliance with <i>Ten States Standards</i>, and improve fire fighting capability within the distribution system.</p>	

<b>DWSRF Participant: Gentryville</b>	
SRF Project #: DW 14027401	DWSRF Loan Amount: \$ 295,000
PWS ID #: IN 5274004	Principal Forgiveness: \$ 1,095,000
DWSRF Loan Closed: 12/15/2014	Total Loan and Principle Forgiveness: \$ 1,390,000
NIMS Categories:	Estimated SRF Savings: \$ 1,639,722
Transmission & Distribution: \$ 393,364	Affected Population: 900
Storage: \$ 996,636	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The Gentryville distribution system has areas that suffer from low pressure issues and low chlorine residuals from the Santa Claus system, which can put public health at risk. The distribution system also has small diameter water mains that do not provide adequate flow for domestic use and/or fire protection. The system currently has only one water storage tank which is at the end of its useful life. The tank does not have sufficient capacity to meet the needs of the system.</p> <p>Gentryville will construct a new meter pit with chlorination facilities at the connection point with the Santa Claus system, replace 42,000 feet of 4- through 8-inch diameter water main, construct a new 150,000 gallon elevated water storage tank and a new 90,000 gallon ground storage tank, construct a new booster pump station, demolish three undersized storage tanks, and install a Supervisory Control and Data Acquisition (SCADA) to monitor and help control the system. The installation of a SCADA system will lead to energy usage savings for the system and makes the project eligible for a GPR interest rate break.</p> <p>The proposed project will increase the storage capacity within the system, improve the connection point with Santa Claus, improve the water service to customers, and provide needed improvements to optimize operation of the water system.</p> <p>The Town of Gentryville is experiencing a decreasing population and an MHI of 38,750 (2000 census), which is lower than the state MHI of \$41,567 (2000 census). The approved user rate after Additional Subsidization is \$52.31. Without Additional Subsidization the user rates for the utility customers would have been a hardship for this community.</p>	

<b>DWSRF Participant: Floyds Knob (series A and B)</b>	
SRF Project #: DW 14112201	DWSRF Loan Amount: \$ 4,700,000
PWS ID #: IN 5222002	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 2/26/2015	Total Loan and Principle Forgiveness: \$ 4,700,000
NIMS Categories:	Estimated SRF Savings: \$ 870,005
Transmission & Distribution: \$ 1,420,000	Affected Population: 5,556
Storage: \$ 3,280,000	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>Improvements were necessary to the Floyds Knobs water utility to provide a more reliable drinking water supply. The improvements provide for adequate water storage in the system, the ability to convey water reliably to the existing standpipe and to assure adequate pressure to the customers of the water utility.</p> <p>The Floyds Knobs Water Company, Inc.'s Water System Improvements project includes, sandblasting and repainting of the existing standpipe, installation of a new 1,000,000 gallon elevated composite water storage tank, installation of approximately 10,300 lineal feet of 12-inch water main along Old Vincennes Road and Old Hill Road, and installation of approximately 5,500 lineal feet of 8-inch water main along Brush College Road to replace an existing 4-inch main.</p> <p>The improvements are needed in order to provide a reliable drinking water supply. The improvements will allow for adequate water storage within the system, the ability to convey water reliably to the existing standpipe and to assure adequate pressure to the customers in a certain region of the water utility.</p>	

<b>DWSRF Participant: Bremen</b>	
SRF Project #: DW 15025001	DWSRF Loan Amount: \$ 2,659,000
PWS ID #: IN 5250003	Principal Forgiveness: \$ 0
DWSRF Loan Closed: 3/31/2015	Total Loan and Principle Forgiveness: \$ 2,659,000
NIMS Categories:	Estimated SRF Savings: \$ 574,630
Treatment: \$ 1,687,539	Affected Population: 4700
Transmission & Distribution: \$ 180,271	
Source: \$ 671,009	
Storage: \$ 120,181	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p> <p>Project Description:</p> <p>The existing water treatment plant in Bremen was constructed in 1965 with the addition of a third filter unit in 1980. The existing wells were placed in service in 1952, 1961, and 2003. The plant and two of the three wells outlived their useful lives and needed to be replaced.</p> <p>The Bremen Public Water Supply Facilities Project includes the construction of a new water treatment plant (WTP) rated to treat 1,000 gallons per minute (gpm), a new masonry plant building with chemical feed areas, chemical feed systems including sodium hypochlorite for disinfection, sodium fluoride, ammonium sulfate, and polyphosphate, one new 1,000 gpm water supply well with a permanent well-house, a 10" raw water main from the new well to the new plant, backwash water holding tank, pumping system and discharge line from the backwash water holding tanks to the sewer, standby electrical generator, and new SCADA System. The entire facility will utilize energy efficient components, making the project eligible for a GPR interest rate break.</p> <p>The improvements are needed to replace equipment that has served its useful life and to increase the peak capacity of the WTP. In addition, the project will eliminate the need for double pumping treated water in the distribution system.</p>	

<b>DWSRF Participant: Reynolds</b>	
SRF Project #: DW 14109101	DWSRF Loan Amount: \$ 498,000
PWS ID #: IN 5222002	Principal Forgiveness: \$ 700,000
DWSRF Loan Closed: 5/28/2015	Total Loan and Principle Forgiveness: \$ 1,198,000
NIMS Categories: Storage: \$ 1,198,000	Estimated SRF Savings: \$ 1,115,091
	Affected Population: 532
<p>This Project: Assist non-compliant system to achieve compliance with the Safe Drinking Water Act.</p>	
<p>Project Description:</p> <p>The Town of Reynolds existing elevated waste storage tank was erected in the early 1940's. The tank is at the end of its useful life, too small to meet the storage needs of the community and has deteriorated to the point that it has caused operational issues in the system.</p> <p>The proposed project involves the construction of a 200,000 gallon pedesphere-type elevated storage tank with an overflow elevation of approximately 140 feet above ground level. The proposed tank will be adjacent to the existing tank. A 12-inch water main will be installed to connect the new storage tank to an existing water main. When the proposed tank is operational, the older tank will be demolished.</p> <p>The new tank will safely meet the storage needs for the Town of Reynolds and protect the drinking water distribution of freezing mains and other operational issues.</p> <p>The Town of Reynolds is experiencing a decreasing population, an MHI of \$41,567 (2000 census) which is slightly lower than the state MHI in the 2000 census and a 2013 annual average unemployment rate of 9.4%, which is higher than the state unemployment rate (2013 annual average) of 7.9%. The approved user rate after Additional Subsidization is \$49.08. Without Additional Subsidization the user rates for the utility customers would have been a hardship for this community.</p>	

<b>DWSRF Participant: Culver</b>	
SRF Project #: DW 14085001	DWSRF Loan Amount: \$ 1,641,000
PWS ID #: IN5250005	Principal Forgiveness: \$ 0
DWSRF Loan Closed: June 23, 2015	Total Loan and Principle Forgiveness: \$ 1,641,000
NIMS Categories: Treatment: \$ 1,641,000	Estimated SRF Savings: \$ 354,633
	Affected Population: 1,404
<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 Culver existing water treatment plant is nearly 50 years old and has reached the end of its useful life.</p> <p>The project includes horizontal pressure filter; high service pumps with VFDs; a new plant building and storage garage; modifications to the existing concrete detention basin; chlorination equipment; fluoridation equipment; electrical and instrumentation/controls; and access drives and parking areas.</p> <p>The new facilities will address corroded and degraded equipment, inadequate space, and improper storage of chemicals. The new facilities will allow Culver to continue to provide safe and reliable drinking water.</p>	

Exhibit F

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
FFY 2015 Federal Capitalization Grant	\$ 14,253,000
TOTAL GRANTS	\$ 270,179,100
TOTAL GRANTS REQUIRED TO MATCH	\$ 242,967,100

Exhibit G  
Cumulative History of the State Match

The State deposited no additional State Match in the DWSRF Loan Program in SFY 2015. To date, the DWSRF State Match has aggregated in excess of 20 percent of the awarded \$242,967,100 Capitalization Grants the Authority was required to match through June 30, 2015, 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 2015 by \$19,000 (also known as over-match), which is banked toward future capitalization grants that are expected to be awarded in SFY 2016. 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 2016) to cash (and deposit it in the DWSRF) based upon incurred costs through SFY 2015, 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 E-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 2015.

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 G - Schedule-1

<b><i>DRINKING WATER</i></b>									
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
		2015	2014	2013	2012	2011			
2001A	\$ 15,680,000	-	-	-	3,368,082	2,950,160	9,361,758	\$ -	
2004B	3,625,835	-	-	-	-	66,299	3,559,536	-	
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	505,000	415,000	1,310,000	500,000	170,000	-	3,710,905	
2010B	4,083,672	558,672	725,000	-	1,335,000	1,465,000	-	-	
2011A	1,413,300	320,000	-	-	1,000,000	-	-	93,300	
2012B	2,390,013	-	630,000	140,000	-	-	-	1,620,013	
2014A	5,520,000	5,520,000	-	-	-	-	-	-	
<b>Total</b>	<b>\$ 45,759,120</b>	<b>6,903,672</b>	<b>1,770,000</b>	<b>1,450,000</b>	<b>6,380,730</b>	<b>5,761,459</b>	<b>18,069,041</b>	<b>\$ 5,424,218</b>	

Indiana DWSRF Loan Program  
Exhibit H - Summary of DWSRF Loan Program Loans Closed in SFY 2015

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
Washington Township	26-Sep-14	\$ 1,500,000	\$ -	\$ 1,500,000	3.75%	\$ 2,158,863	2.000%	\$ 1,834,702	\$ 324,161
Schneider	16-Oct-14	\$ 229,000	\$ 1,925,000	\$ 2,154,000	3.75%	\$ 3,100,127	2.050%	\$ 281,451	\$ 2,818,676
Yorktown	2-Dec-14	\$ 1,200,000	\$ -	\$ 1,200,000	3.75%	\$ 1,727,090	2.350%	\$ 1,517,802	\$ 209,289
Colfax	15-Dec-14	\$ 600,000	\$ -	\$ 600,000	3.75%	\$ 863,545	2.100%	\$ 740,982	\$ 122,563
Gentryville	15-Dec-14	\$ 295,000	\$ 1,095,000	\$ 1,390,000	3.75%	\$ 2,000,546	2.000%	\$ 360,825	\$ 1,639,722
Jackson County	15-Dec-14	\$ 4,960,000	\$ -	\$ 4,960,000	3.75%	\$ 7,138,640	2.000%	\$ 6,066,746	\$ 1,071,894
Greencastle	15-Dec-14	\$ 2,900,000	\$ -	\$ 2,900,000	3.75%	\$ 4,173,802	2.000%	\$ 3,547,090	\$ 626,712
Floyd Knobs	26-Feb-15	\$ 3,280,000	\$ -	\$ 3,280,000	3.75%	\$ 4,720,714	2.000%	\$ 4,011,881	\$ 708,833
Floyd Knobs	26-Feb-15	\$ 1,420,000	\$ -	\$ 1,420,000	3.75%	\$ 2,043,724	2.850%	\$ 1,882,551	\$ 161,173
Bremen	31-Mar-15	\$ 2,659,000	\$ -	\$ 2,659,000	3.75%	\$ 3,826,944	2.000%	\$ 3,252,314	\$ 574,630
Reynolds	28-May-15	\$ 498,000	\$ 700,000	\$ 1,198,000	3.75%	\$ 1,724,212	2.000%	\$ 609,121	\$ 1,115,091
Culver	23-Jun-15	\$ 1,641,000	\$ -	\$ 1,641,000	3.75%	\$ 2,361,796	2.000%	\$ 2,007,163	\$ 354,633
<b>TOTAL</b>		<b>\$ 21,182,000</b>	<b>\$ 3,720,000</b>	<b>\$ 24,902,000</b>					<b>\$ 9,727,376</b>

\* P & I = Principal and Interest

Exhibit I  
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 2015 and will continue to be in perpetuity.

**Drinking Water Purchase Account**

*Sources of Funds:* Funds held in this account<sup>1</sup> come from proceeds of Program Bonds<sup>2</sup> 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 2015 as well as loans anticipated to be closed in SFY 2016 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, 2015, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2016, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2015 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.

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

<sup>2</sup> 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 2016 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

### **Drinking Water Participant Loan Principal Account**

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

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

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

### **Drinking Water Participant Loan Interest Account**

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

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

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

**DRINKING WATER RESERVE**<sup>3</sup> 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

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<sup>3</sup> 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 deposit<sup>4</sup> in this account are available for other SRF purposes.

### **Drinking Water Reserve Grant Account**

*Sources of Funds:* Funds held in this account<sup>5</sup> 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.<sup>6</sup>

*Uses of Funds:* These funds are used (i) as security<sup>7</sup> 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, 2015 and as anticipated in SFY 2016) is shown in the Use Schedule.<sup>8</sup> 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

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<sup>4</sup> And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

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

<sup>6</sup> 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, 2015, 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.

<sup>7</sup> Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$216.4 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 2016 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.

<sup>8</sup> 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, 2015 nor are any so anticipated in SFY 2016.

**DRINKING WATER EQUITY**<sup>9</sup> contains the following accounts:

**Drinking Water Equity Grant Account**

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

*Uses of Funds:* These funds are used (i) as security<sup>10</sup> 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 Account<sup>11</sup> 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.

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<sup>9</sup> 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.

<sup>10</sup> 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 2016 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, 2015.

<sup>11</sup> In addition to meeting any Excess Commitments as of July 1, 2015, 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, 2015, (b) PERs submitted and under review by the DWSRF as of July 1, 2015 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2016), each as detailed in the Use Schedule.

*Available Balance:* The aggregate amount held in this account (as of July 1, 2015 and as anticipated in SFY 2016) is shown in the Use Schedule.<sup>12</sup> 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, 2015 is shown in the Use Schedule.<sup>13</sup>

### **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, 2015, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2015, (b) PERs submitted and under review by the DWSRF as of July 1, 2015 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2016), 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 2016. 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 2016) in the event additional Guarantee Revenue Bonds could not to be issued.

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<sup>12</sup> And before any transfers to the CWSRF as discussed elsewhere in this Exhibit.

<sup>13</sup> 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 2016 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 2016 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, 2015, about \$23.6 million has been transferred to DWSRF. As of July 1, 2015, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately \$80.2 million of allowable transfers which includes 33% of the FFY 2015 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 I-Schedule 1

	Account Balances* as of: <u>30-Jun-2015</u> (Actual)	Future Deposits in SFY
<b><u>A. Funds Committed to Projects by DWSRF</u></b>		
Purchase Account	\$ 1,500,000	\$ -
	<u>\$ 1,500,000</u>	<u>\$ -</u>
<b><u>B. Other Funds Held in DWSRF</u></b>		
Reserve Grant Account	\$ 15,100,000	\$ -
Reserve Earnings Account	-	-
Reserve Deficiency Account	-	-
Equity Grant Account	94,700,000	\$ 24,200,000
Equity Earnings Account	50,800,000	-
	<u>\$ 160,600,000</u>	<u>\$ 24,200,000</u>
<b>Total Available Funds (A. and B. above)</b>	<u><u>\$ 162,100,000</u></u>	<u><u>\$ 24,200,000</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)	\$ 1,500,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	15,600,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	<u>3,000,000</u>
PERs In-house (approved & under-review) Awaiting Loan Closing	46,700,000
Other Projects on new SFY's PPL, Requesting Loan Funding	<u>15,200,000</u>
1. Use: to cover Loan Demand***	<u>82,000,000</u>
2. Use: to cover Series Reserve Requirement	<u>15,700,000</u>
<b>Possible Uses of Funds</b> (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<u><u>\$ 97,700,000</u></u>

<b>Uses of Funds (1 &amp; 2 above):</b>	\$ 97,700,000
<b>Less: Total Available Funds (A. and B. above)</b>	186,300,000
<b>Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"****</b>	<u><u>\$ (88,600,000)</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 J  
SFY 2015 DWSRF Loan Program Quarterly Interest Rates<sup>1</sup>

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 <sup>2</sup> : under \$33,669)			
1 <sup>st</sup> Qtr SFY 2015	2.00%	2.00%	2.30%
2 <sup>nd</sup> Qtr SFY 2015	2.00%	2.00%	2.10%
3 <sup>rd</sup> Qtr SFY 2015	2.00%	2.00%	2.00%
4 <sup>th</sup> Qtr SFY 2015	2.00%	2.00%	2.00%
Tier II (Median Household Income: \$33,670 to \$41,566)			
1 <sup>st</sup> Qtr SFY 2015	2.00%	2.05%	2.55%
2 <sup>nd</sup> Qtr SFY 2015	2.00%	2.00%	2.35%
3 <sup>rd</sup> Qtr SFY 2015	2.00%	2.00%	2.14%
4 <sup>th</sup> Qtr SFY 2015	2.00%	2.00%	2.14%
Tier I (Median Household Income: over \$41,567)			
1 <sup>st</sup> Qtr SFY 2015	2.05%	2.30%	2.80%
2 <sup>nd</sup> Qtr SFY 2015	2.00%	2.00%	2.35%
3 <sup>rd</sup> Qtr SFY 2015	2.00%	2.00%	2.39%
4 <sup>th</sup> Qtr SFY 2015	2.00%	2.00%	2.39%

<sup>1</sup> 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.

<sup>2</sup> Median Household Income reflected in the 2000 Census.

Exhibit K  
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, 2015, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2015 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 2015, 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 2015.



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

COMBINED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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

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*Independent Auditors' Report*

Members of the Indiana Finance Authority  
State Revolving Fund Loan Programs

**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, 2015 and 2014, 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, 2015 and 2014, 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.

### **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 information, statements of revenues, expenses and changes in net position information, 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 28, 2015, 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 28, 2015

**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, 2015**

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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, 2015. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

**Financial Highlights:** The SRF Programs' total net position increased by \$33.2 million during the current fiscal year from \$1,245.3 million to \$1,278.5 million. Non-operating revenues consisted of \$47.6 million of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA) during fiscal year 2015. 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 \$94.6 million. The net decrease in debt is the result of the partial defeasance of Series 2007A, 2007B, 2009A, 2012B bonds, and the cash defeasance of the Series 2005A bonds totaling \$243.1 million, scheduled principal payments on outstanding debt totaling \$144.5 million and the issuance of \$293 million in new bonds.

The SRF Programs disbursed \$178.5 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 starting on page 18 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, 2015**

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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, 2015**

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**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 \$1,278.5 million at the close of the most recent fiscal year.

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

	<b>2015</b>	<b>June 30, 2014</b>	<b>2013</b>
Current assets	\$ 789,403	\$ 747,747	\$ 666,022
Noncurrent assets	<u>2,007,048</u>	<u>2,106,753</u>	<u>2,488,404</u>
Total Assets	<u>2,796,451</u>	<u>2,854,500</u>	<u>3,154,426</u>
Deferred Outflows of Resources	<u>35,150</u>	<u>38,508</u>	<u>34,427</u>
Current liabilities	116,141	153,408	139,302
Long-term liabilities	<u>1,436,916</u>	<u>1,494,318</u>	<u>1,840,694</u>
Total Liabilities	<u>1,553,057</u>	<u>1,647,726</u>	<u>1,979,996</u>
Net Position			
Restricted	<u>1,278,544</u>	<u>1,245,282</u>	<u>1,208,857</u>
Total Net Position	<u>\$ 1,278,544</u>	<u>\$ 1,245,282</u>	<u>\$ 1,208,857</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 2015, 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, 2015**

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

	Years Ended June 30,		
	2015	2014	2013
Operating Revenues			
Interest income-investments	\$ 6,620	\$ 11,276	\$ 27,274
Interest income-participants	56,211	58,597	63,056
Other	<u>772</u>	<u>382</u>	<u>412</u>
Total operating revenues	<u>63,603</u>	<u>70,255</u>	<u>90,742</u>
Operating Expenses			
Interest	68,247	79,825	75,028
Bond issuance costs	1,676	963	2,593
Trustee fees	49	51	368
Other program and administrative	<u>4,789</u>	<u>342</u>	<u>3,151</u>
Total operating expenses	<u>74,761</u>	<u>81,181</u>	<u>81,140</u>
Operating Income (Loss)	(11,158)	(10,926)	9,602
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	47,607	58,515	45,058
Loan forgiveness	<u>(3,187)</u>	<u>(11,164)</u>	<u>(3,418)</u>
Total nonoperating revenues and (expenses)	<u>44,420</u>	<u>47,351</u>	<u>41,640</u>
Increase in Net Position	33,262	36,425	51,242
Net Position:			
Beginning of Year	<u>1,245,282</u>	<u>1,208,857</u>	<u>1,157,615</u>
End of Year	<u>\$1,278,544</u>	<u>\$1,245,282</u>	<u>\$1,208,857</u>

The SRF Programs' net position increased by \$33.3 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$47.6 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes.
- Operating expenses exceeded operating revenues by \$11.2 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, 2015**

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**DEBT ADMINISTRATION**

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount was \$1.52 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)

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net Bond Indebtedness	<u>\$ 1,523,914</u>	<u>\$ 1,618,472</u>	<u>\$ 1,941,041</u>

During the current fiscal year, the SRF Programs' debt decreased by \$94.6 million. The net decrease in debt is the result of the partial defeasance of Series 2007A, 2007B, 2009A, 2012B bonds, and the cash defeasance of the Series 2005A bonds totaling \$243.1 million, scheduled principal payments on outstanding debt totaling \$144.5 million and the issuance of \$293 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 21-34 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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents	\$ 578,543,568	\$ 549,025,069
Interest receivable	22,855,526	24,316,900
Due from EPA	46,649,193	46,993,853
Accounts receivable	-	2,000
Loans receivable, net	<u>141,354,595</u>	<u>127,408,955</u>
Total Current Assets	<u>789,402,882</u>	<u>747,746,777</u>
Noncurrent Assets:		
Investments	183,709,984	231,884,055
Loans receivable, net	1,822,878,173	1,874,482,032
Equipment, net	<u>460,430</u>	<u>386,900</u>
Total Noncurrent Assets	<u>2,007,048,587</u>	<u>2,106,752,987</u>
Total Assets	<u>2,796,451,469</u>	<u>2,854,499,764</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on debt refunding	<u>35,149,971</u>	<u>38,507,781</u>
Total Deferred Outflows of Resources	<u>35,149,971</u>	<u>38,507,781</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Interest payable	26,608,215	28,808,203
Accounts payable	432,595	445,279
Bonds payable-current, net	<u>89,100,000</u>	<u>124,155,000</u>
Total Current Liabilities	<u>116,140,810</u>	<u>153,408,482</u>
Long-term Liabilities:		
Amount due to federal government	2,102,210	-
Bonds payable, net	<u>1,434,814,047</u>	<u>1,494,317,475</u>
Total Long-term Liabilities	<u>1,436,916,257</u>	<u>1,494,317,475</u>
Total Liabilities	<u>1,553,057,067</u>	<u>1,647,725,957</u>
<b>NET POSITION</b>		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,278,544,373</u>	<u>\$ 1,245,281,588</u>

**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, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUE</b>		
Interest income-investments	\$ 6,619,769	\$ 11,275,204
Interest income-loan participants	56,210,767	58,597,140
Administration and premium fees	30,006	20,000
Other	<u>742,121</u>	<u>362,393</u>
Total Operating Revenue	<u>63,602,663</u>	<u>70,254,737</u>
<b>OPERATING EXPENSES</b>		
Interest	68,247,356	79,824,910
Bond issuance costs	1,675,640	962,963
Trustee fees	48,872	51,351
Other program and administrative	<u>4,788,933</u>	<u>341,636</u>
Total Operating Expenses	<u>74,760,801</u>	<u>81,180,860</u>
<b>OPERATING LOSS</b>	<u>(11,158,138)</u>	<u>(10,926,123)</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>		
Capital contributions	47,607,436	58,515,340
Loan forgiveness	<u>(3,186,513)</u>	<u>(11,164,300)</u>
Total Nonoperating Revenues and (Expenses)	<u>44,420,923</u>	<u>47,351,040</u>
<b>INCREASE IN NET POSITION</b>	33,262,785	36,424,917
<b>NET POSITION</b>		
Beginning of Year	<u>1,245,281,588</u>	<u>1,208,856,671</u>
End of Year	<u>\$ 1,278,544,373</u>	<u>\$ 1,245,281,588</u>

**STATE REVOLVING FUND LOAN PROGRAMS**  
**(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash payments for salaries, administrative and other expenses	\$ (2,004,158)	\$ (2,692,577)
Administration fee	30,006	20,000
Net Cash Used by Operating Activities	<u>(1,974,152)</u>	<u>(2,672,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of loans to participants	216,174,916	200,910,491
Issuance of loans to participants	(178,516,697)	(127,728,691)
Change in investments	48,174,071	286,342,232
Interest received on loans and investments	64,291,910	71,980,562
Purchase of capital assets	(73,530)	(21,686)
Net Cash Provided by Investing Activities	<u>150,050,670</u>	<u>431,482,908</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from debt issuance	239,715,000	86,925,000
Principal payments to reduce indebtedness including refunding	(330,915,618)	(413,574,510)
Payment of debt issuance costs, net of refunding	(1,675,640)	(962,963)
Interest paid on debt	(70,447,344)	(86,866,163)
Net Cash Used by Non-Capital Financing Activities	<u>(163,323,602)</u>	<u>(414,478,636)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Capital contributions (EPA grants)	47,952,096	51,995,781
Issuance of forgivable loans to participants	(3,186,513)	(11,164,300)
Net Cash Provided by Capital Financing Activities	<u>44,765,583</u>	<u>40,831,481</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	29,518,499	55,163,176
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>549,025,069</u>	<u>493,861,893</u>
End of Year	<u>\$ 578,543,568</u>	<u>\$ 549,025,069</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (11,158,138)	\$ (10,926,123)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Interest income	(62,830,536)	(69,872,344)
Interest expense	68,247,356	79,824,910
Bond issuance costs	1,675,640	962,963
Changes in assets and liabilities:		
Accounts receivable	2,000	(2,000)
Accounts payable	(12,684)	168,244
Amount due to federal government	2,102,210	(2,828,227)
Net Cash Used by Operating Activities	<u>\$ (1,974,152)</u>	<u>\$ (2,672,577)</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, 2015 and 2014**

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**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.

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.

**STATE REVOLVING FUND LOAN PROGRAMS**  
**(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2015 and 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

If necessary, the capitalization grants are deposited into the SRF Programs accounts and are available to pay scheduled debt service on the Revenue Bonds. SRF Programs participant loan repayments and interest earned on the SRF Programs investments 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, 2014B, 2015A, and 2015B 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.

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Estimates: Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from 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, 2015 and 2014, 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 \$15,988,559 and \$24,092,658 at June 30, 2015 and 2014, respectively.

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 28, 2015, the date the combined financial statements were available to be issued.

**STATE REVOLVING FUND LOAN PROGRAMS  
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**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, 2015 and 2014 follows:

	<u>2015</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 1,828	\$ 1,453	\$ 3,281
Bank deposits	9,246,748	-	9,246,748
Money market funds	440,301,665	85,911,063	526,212,728
Government obligations	<u>145,152,324</u>	<u>81,638,471</u>	<u>226,790,795</u>
	<u>\$ 594,702,565</u>	<u>\$ 167,550,987</u>	<u>\$ 762,253,552</u>
	 <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>

**STATE REVOLVING FUND LOAN PROGRAMS  
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**NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2015, the SRF Programs had the following investments and maturities (amounts are in thousands):

	<b>Wastewater</b>				
	<b>Investment Maturities (in years)</b>				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Bank deposits	\$ 9,247	\$ 2,500	\$ 6,747	\$ -	\$ -
Money market funds	440,302	440,302	-	-	-
Government obligations	<u>145,152</u>	<u>11,260</u>	<u>60,784</u>	<u>62,453</u>	<u>10,655</u>
	<u>\$ 594,701</u>	<u>\$ 454,062</u>	<u>\$ 67,531</u>	<u>\$ 62,453</u>	<u>\$ 10,655</u>

	<b>Drinking Water</b>				
	<b>Investment Maturities (in years)</b>				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Money market funds	\$ 85,911	\$ 85,910	\$ 1	\$ -	\$ -
Government obligations	<u>81,639</u>	<u>38,568</u>	<u>17,522</u>	<u>23,424</u>	<u>2,125</u>
	<u>\$ 167,550</u>	<u>\$ 124,478</u>	<u>\$ 17,523</u>	<u>\$ 23,424</u>	<u>\$ 2,125</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, 2015:

	<b>S&amp;P</b>	<b>Fitch</b>	<b>Moody's</b>	<b>Fair Value</b>
Bank deposits	AA+	AAA	Aaa	\$ 9,247
Money market funds	AAAm	unrated	Aaa-mf	375,661
	AAAm	AAAmmf	Aaa-mf	150,552
Government obligations	AA+	AAA	Aaa	<u>226,791</u>
Total Rated Investments				<u>\$ 762,251</u>

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**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, 2015:

Blackrock MMF	33%
US Treasury	19%
Goldman Financial Square MM (FSMXX)	17%
Dreyfus Cash Management CI A Fd288	14%
Federal Government Agency Debt	11%
JPMorgan Prime MMF	5%

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**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, 2015 and 2014 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	<b>Loans Receivable as of June 30, 2015</b>	<b>Loans Receivable as of June 30, 2014</b>	<b>Actual Loan Available Less Principal Repayments as of June 30, 2015</b>
Wastewater Fund	\$1,629,031,608	\$1,649,154,320	\$1,741,575,497
Drinking Water Fund	<u>335,201,160</u>	<u>352,736,667</u>	<u>359,903,469</u>
Total All Loans	<u>\$1,964,232,768</u>	<u>\$2,001,890,987</u>	<u>\$2,101,478,966</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 \$141,354,595 at June 30, 2015 and \$127,408,955 at June 30, 2014.

**STATE REVOLVING FUND LOAN PROGRAMS**  
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**NOTE 3 - LOANS RECEIVABLE (CONTINUED)**

As of June 30, 2015, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

<b>Name of Participant</b>	<b>Loans Receivable as of June 30, 2015</b>	<b>Loans Receivable as of June 30, 2014</b>	<b>Actual Loan Available Less Principal Repayments as of June 30, 2015</b>
<b>Wastewater Fund</b>			
City of Indianapolis (escrow)	\$ 238,161,500	\$ 274,576,250	\$ 238,161,500
City of Terre Haute	162,523,970	152,571,000	176,129,654
City of Evansville	152,001,000	104,705,744	152,001,000
City of FortWayne	113,147,908	97,732,676	138,018,498
City of Hammond	68,100,000	82,500,000	68,100,000
City of Columbus	66,413,000	70,276,000	66,413,000
City of Jeffersonville	63,451,150	42,604,549	63,512,239
 <b>Drinking Water Fund</b>			
City of Fort Wayne	\$ 44,129,000	\$ 47,550,000	\$ 44,129,000
City of East Chicago	34,060,000	36,125,000	34,060,000
City of Bloomington	17,846,000	19,621,000	17,846,000
Town of Bargersville	17,795,000	18,395,000	17,795,000
City of Greensburg	13,288,050	13,687,100	13,288,050
City of Lake Station	11,048,500	10,908,843	11,442,000
City of Huntington	9,270,000	9,653,000	9,270,000
Indiana American Water Co., Inc.	8,997,717	8,122,171	8,997,717
City of Martinsville	7,662,000	8,083,000	7,662,000
City of Whitestown	6,941,281	6,293,347	7,385,000
Town of Speedway	5,854,947	5,857,000	5,854,947

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**NOTE 4 - INTEREST RECEIVABLE**

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

Interest receivable at June 30, 2015:

	<b>Investments</b>	<b>Loans</b>	<b>Total</b>
Wastewater	\$ 484,226	\$ 18,851,323	\$ 19,335,549
Drinking Water	<u>163,156</u>	<u>3,356,821</u>	<u>3,519,977</u>
	<u>\$ 647,382</u>	<u>\$ 22,208,144</u>	<u>\$ 22,855,526</u>

Interest receivable at June 30, 2014:

	<b>Investments</b>	<b>Loans</b>	<b>Total</b>
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>

**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, 2015, 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, 2015, the SRF Programs had the following liabilities:

	<b>Yield Reduction</b>	<b>Due Date</b>
<b>2005A</b>		
Wastewater Fund	\$1,497,256	January 31, 2017
Drinking Water Fund	<u>604,954</u>	January 31, 2017
	<u>\$2,102,210</u>	

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**NOTE 6 - BONDS PAYABLE**

Bonds payable at June 30, 2015 and 2014 for bonds issued on behalf of the SRF Programs are summarized as follows:

	<b>2015</b>	<b>2014</b>
<b><u>Wastewater Fund:</u></b>		
<b>Series 2015B Refunding Bonds</b> issued March 19, 2015 for the aggregate amount of \$139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this, \$118,531,184 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 118,531,184	\$ -
<b>Series 2015A Bonds</b> issued February 11, 2015 for the aggregate amount of \$100,000,000, maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$90,740,692 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	90,740,692	-
<b>Series 2014B Refunding Bonds</b> 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.	53,472,517	53,790,822
<b>Series 2014A Bonds</b> 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

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	<b>2015</b>	<b>2014</b>
<p><b>Series 2013A Refunding Bonds</b> 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, 2019 to February 1, 2024 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.</p>	\$ 32,210,000	\$ 32,210,000
<p><b>Series 2012C Bonds</b> 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.</p>	99,415,000	99,415,000
<p><b>Series 2012B Bonds</b> 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. In March 2015, \$23,595,000 was refunded.</p>	94,210,000	117,805,000
<p><b>Series 2012A Refunding Bonds</b> 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>	109,920,000	110,740,000

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	2015	2014
<p><b>Series 2011A Bonds</b> 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>	\$ 42,495,000	\$ 57,215,000
<p><b>Series 2010C Refunding Bonds</b> 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><b>Series 2010B Bonds</b> 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>	62,045,000	63,055,000
<p><b>Series 2010A Refunding Bonds</b> 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>	212,080,000	236,445,000
<p><b>Series 2009A Bonds</b> 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. In March 2015, \$57,410,000 was refunded.</p>	59,380,000	118,830,000

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**STATE REVOLVING FUND LOAN PROGRAMS  
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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	<b>2015</b>	<b>2014</b>
<p><b>Series 2007B Bonds</b> 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. In March 2015, \$18,320,000 was refunded.</p>	\$ 5,655,000	\$ 25,670,000
<p><b>Series 2007A Bonds</b> issued May 30, 2007 for the aggregate amount of \$71,230,000, 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. In March 2015, \$27,120,000 was refunded and bonds were paid in full.</p>	-	27,120,000
<p><b>Series 2006B Bonds</b> 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>	22,455,000	28,130,000
<p><b>Series 2006A Bonds</b> issued April 25, 2006 for the aggregate amount 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>	51,605,000	59,420,000

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	<b>2015</b>	<b>2014</b>
<p><b>Series 2005A Refunding Bonds</b> 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, 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. In April 2015, \$62,800,000 was cash defeased and bonds were paid in full.</p>	\$	-      \$      86,590,000
<p><b>Series 2004C Bonds</b> 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>	8,410,000	16,400,000
<p><b>Series 2004B Bonds</b> 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>	<u>26,785,274</u>	<u>26,785,274</u>
<b>Subtotal-Wastewater</b>	<u>1,146,779,667</u>	<u>1,230,046,096</u>

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NOTE 6 - BONDS PAYABLE (CONTINUED)

	2015	2014
<b><u>Drinking Water Fund:</u></b>		
<b>Series 2015B Refunding Bonds</b> issued March 19, 2015 for the aggregate amount of \$139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2015 at interest rates ranging from 2.00% to 5.00%. Of this, \$21,183,816 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 21,183,816	\$ -
<b>Series 2015A Bonds</b> issued February 11, 2015 for the aggregate amount of \$100,000,000 maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$9,259,308 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	9,259,308	-
<b>Series 2014B Refunding Bonds</b> 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 DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	14,477,483	14,559,178
<b>Series 2014A Bonds</b> 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 DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	-	5,520,000

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	<b>2015</b>	<b>2014</b>
<p><b>Series 2013A Refunding Bonds</b> 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, 2024 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
<p><b>Series 2012C Bonds</b> 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><b>Series 2012B Bonds</b> 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. In March 2015, \$6,085,000 was refunded.</p>	10,290,000	16,375,000
<p><b>Series 2012A Refunding Bonds</b> 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>	7,440,000	7,550,000

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	2015	2014
<p><b>Series 2011A Bonds</b> 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>	\$ 49,550,000	\$ 49,870,000
<p><b>Series 2010C Refunding Bonds</b> 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><b>Series 2010B Bonds</b> 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>	15,745,000	16,475,000
<p><b>Series 2010A Refunding Bonds</b> 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>	34,550,000	41,535,000

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	2015	2014
<p><b>Series 2009A Bonds</b> 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. In March 2015, \$6,715,000 was refunded.</p>	\$ 8,140,000	\$ 15,360,000
<p><b>Series 2007B Bonds</b> 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. In March 2015, \$7,960,000 was refunded.</p>	4,545,000	13,770,000
<p><b>Series 2007A Bonds</b> 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. In March 2015, \$2,255,000 was refunded.</p>	980,000	3,630,000
<p><b>Series 2006B Bonds</b> 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>	4,205,000	6,155,000

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

	2015	2014
<p><b>Series 2006A Bonds</b> issued April 25, 2006 for the aggregate amount 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>	\$ 5,930,000	\$ 7,145,000
<p><b>Series 2005A Refunding Bonds</b> 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, 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. In April 2015, \$21,465,000 was cash defeased and bonds were paid in full.</p>	-	23,250,000
<p><b>Series 2004B Bonds</b> 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.</p>	<u>5,199,726</u>	<u>5,199,726</u>
<b>Subtotal-Drinking Water</b>	<u>222,110,333</u>	<u>257,008,904</u>
Total Principal	1,368,890,000	1,487,055,000
Net premium on bonds payable	<u>155,024,047</u>	<u>131,417,475</u>
Total Bonds Payable	1,523,914,047	1,618,472,475
Less: Current portion	<u>89,100,000</u>	<u>124,155,000</u>
Long-term Portion	<u>\$1,434,814,047</u>	<u>\$ 1,494,317,475</u>

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

In April 2015, the Authority cash defeased in advance of their stated maturity dates the Series 2005A Bonds. A cash deposit of \$92,276,367 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling \$93,282,313.

In March 2015, the Authority issued \$139,715,000 2015B Refunding Bonds. The bonds were sold at a premium and refunded \$149,460,000 par amount of prior debt. The refunding debt was used to refund the callable portion of the Series 2007A, 2007B, 2009A, and 2012B Bonds. Net present value savings were \$17,409,227.

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.

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 \$563,085,000 and \$547,250,000 as of June 30, 2015 and 2014, respectively.

**STATE REVOLVING FUND LOAN PROGRAMS**  
**(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**Years Ended June 30, 2015 and 2014**

**NOTE 6 - BONDS PAYABLE (CONTINUED)**

The aggregate debt service requirements and premiums for all bonds allocable to the SRF Programs as of June 30, 2015, are as follows:

	<b>Principal</b>			<b>Interest</b>			<b>Debt Service Total</b>
	<b>Wastewater Fund</b>	<b>Drinking Water Fund</b>	<b>Total</b>	<b>Wastewater Fund</b>	<b>Drinking Water Fund</b>	<b>Total</b>	
2016	\$ 72,383,485	\$ 16,716,515	\$ 89,100,000	\$ 54,462,002	\$10,451,256	\$ 64,913,258	\$ 154,013,258
2017	73,409,189	14,445,811	87,855,000	52,234,423	9,844,296	62,078,719	149,933,719
2018	78,494,751	10,500,249	88,995,000	48,690,994	9,138,888	57,829,882	146,824,882
2019	100,068,377	19,326,623	119,395,000	44,912,756	8,628,975	53,541,731	172,936,731
2020	92,674,774	21,205,226	113,880,000	39,897,300	7,744,957	47,642,257	161,522,257
2021-2025	382,615,886	85,389,114	468,005,000	136,311,736	24,636,471	160,948,207	628,953,207
2026-2030	244,086,836	40,098,164	284,185,000	61,159,927	9,979,480	71,139,407	355,324,407
2031-2035	103,046,369	14,428,631	117,475,000	10,205,789	1,299,303	11,505,092	128,980,092
	<u>1,146,779,667</u>	<u>222,110,333</u>	<u>1,368,890,000</u>	<u>447,874,927</u>	<u>81,723,626</u>	<u>529,598,553</u>	<u>1,898,488,553</u>
Premium	<u>132,611,415</u>	<u>22,412,632</u>	<u>155,024,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,024,047</u>
Total	<u>\$1,279,391,082</u>	<u>\$244,522,965</u>	<u>\$1,523,914,047</u>	<u>\$447,874,927</u>	<u>\$81,723,626</u>	<u>\$529,598,553</u>	<u>\$2,053,512,600</u>

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

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**NOTE 6 - BONDS PAYABLE (CONTINUED)**

The following is a summary of total debt service without premiums:

	<b>Interest Rates Ranges</b>	<b>Maturity Range</b>	<b>Annual Payment Range</b>	<b>Principal</b>
Wastewater Fund	2.00% - 5.50%	2016-2035	\$ 7,232,033 - \$100,068,377	\$1,146,779,667
Drinking Water Fund	2.00% - 5.50%	2016-2035	737,967 - 22,433,290	<u>222,110,333</u>
Combined Programs	2.00% - 5.50%	2016-2035	7,970,000 - 121,290,000	1,368,890,000
Less: Current Portion				<u>(89,100,000)</u>
Total Long-term Portion				<u>\$1,279,790,000</u>

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

**NOTE 7 - LONG-TERM LIABILITIES**

Long-term liability activity for the years ended June 30, 2015 and 2014 was as follows:

	<b>Balance Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance End of Year</b>	<b>Amounts Due Within One Year</b>	<b>Amounts Due Thereafter</b>
June 30, 2015:						
Amount due to federal government	\$ -	\$ 2,102,210	\$ -	\$ 2,102,210	\$ -	\$ 2,102,210
Bonds payable	1,487,055,000	239,715,000	(357,880,000)	1,368,890,000	89,100,000	1,279,790,000
Net premium on bonds payable	<u>131,417,475</u>	<u>53,277,898</u>	<u>(29,671,326)</u>	<u>155,024,047</u>	<u>-</u>	<u>155,024,047</u>
	<u>\$1,618,472,475</u>	<u>\$295,095,108</u>	<u>\$(387,551,326)</u>	<u>\$1,526,016,257</u>	<u>\$89,100,000</u>	<u>\$1,436,916,257</u>
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>

**STATE REVOLVING FUND LOAN PROGRAMS  
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
Years Ended June 30, 2015 and 2014**

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**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, 2015, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2015 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 2015, 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, 2015 and 2014, program revenues consisted of the following:

	<b>2015</b>	<b>2014</b>
Interest and other income	\$ 63,602,663	\$ 70,254,737
Capital grants and contributions	<u>47,607,436</u>	<u>58,515,340</u>
	<u><u>\$111,210,099</u></u>	<u><u>\$128,770,077</u></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, 2015 and 2014**

	Waste water Program		Drinking Water Program		Combined	
	2015	2014	2015	2014	2015	2014
<b>ASSETS</b>						
Current Assets:						
Cash and equivalents	\$ 454,063,846	\$ 457,454,985	\$ 124,479,722	\$ 91,570,084	\$ 578,543,568	\$ 549,025,069
Interest receivable-investments	484,226	687,036	163,156	169,461	647,382	856,497
Interest receivable-loans	18,851,323	19,864,502	3,356,821	3,595,901	22,208,144	23,460,403
Due from EPA	33,617,000	33,790,000	13,032,193	13,203,853	46,649,193	46,993,853
Accounts receivable	-	2,000	-	-	-	2,000
Loans receivable, net	118,506,782	100,226,903	22,847,813	27,182,052	141,354,595	127,408,955
Total Current Assets	<u>625,523,177</u>	<u>612,025,426</u>	<u>163,879,705</u>	<u>135,721,351</u>	<u>789,402,882</u>	<u>747,746,777</u>
Noncurrent Assets:						
Investments	140,638,719	151,525,730	43,071,265	80,358,325	183,709,984	231,884,055
Loans receivable, net	1,510,524,826	1,548,927,417	312,353,347	325,554,615	1,822,878,173	1,874,482,032
Equipment, net	395,680	319,150	64,750	67,750	460,430	386,900
Total Noncurrent Assets	<u>1,651,559,225</u>	<u>1,700,772,297</u>	<u>355,489,362</u>	<u>405,980,690</u>	<u>2,007,048,587</u>	<u>2,106,752,987</u>
Total Assets	<u>2,277,082,402</u>	<u>2,312,797,723</u>	<u>519,369,067</u>	<u>541,702,041</u>	<u>2,796,451,469</u>	<u>2,854,499,764</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Loss on debt refunding	30,674,910	32,693,341	4,475,061	5,814,440	35,149,971	38,507,781
Total Deferred Outflows of Resources	<u>30,674,910</u>	<u>32,693,341</u>	<u>4,475,061</u>	<u>5,814,440</u>	<u>35,149,971</u>	<u>38,507,781</u>
<b>LIABILITIES</b>						
Current Liabilities:						
Interest payable	22,317,053	23,952,175	4,291,162	4,856,028	26,608,215	28,808,203
Accounts payable	356,048	283,080	76,547	162,199	432,595	445,279
Bonds payable-current, net	72,383,485	103,293,305	16,716,515	20,861,695	89,100,000	124,155,000
Total Current Liabilities	<u>95,056,586</u>	<u>127,528,560</u>	<u>21,084,224</u>	<u>25,879,922</u>	<u>116,140,810</u>	<u>153,408,482</u>
Long-term Liabilities:						
Amount due to federal government	1,497,256	-	604,954	-	2,102,210	-
Bonds payable, net	1,207,007,597	1,237,289,216	227,806,450	257,028,259	1,434,814,047	1,494,317,475
Total Long-term Liabilities	<u>1,208,504,853</u>	<u>1,237,289,216</u>	<u>228,411,404</u>	<u>257,028,259</u>	<u>1,436,916,257</u>	<u>1,494,317,475</u>
Total Liabilities	<u>1,303,561,439</u>	<u>1,364,817,776</u>	<u>249,495,628</u>	<u>282,908,181</u>	<u>1,553,057,067</u>	<u>1,647,725,957</u>
<b>NET POSITION</b>						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,004,195,873</u>	<u>\$ 980,673,288</u>	<u>\$ 274,348,500</u>	<u>\$ 264,608,300</u>	<u>\$ 1,278,544,373</u>	<u>\$1,245,281,588</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, 2015 and 2014**

	<b>Waste water Program</b>		<b>Drinking Water Program</b>		<b>Combined</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUE</b>						
Interest income-investments	\$ 4,780,782	\$ 8,554,183	\$ 1,838,987	\$ 2,721,021	\$ 6,619,769	\$ 11,275,204
Interest income-loan participants	46,327,453	47,834,453	9,883,314	10,762,687	56,210,767	58,597,140
Administration and premium fees	20,000	14,000	10,006	6,000	30,006	20,000
Other	-	-	742,121	362,393	742,121	362,393
Total Operating Revenue	<u>51,128,235</u>	<u>56,402,636</u>	<u>12,474,428</u>	<u>13,852,101</u>	<u>63,602,663</u>	<u>70,254,737</u>
<b>OPERATING EXPENSES</b>						
Interest	55,841,551	67,233,441	12,405,805	12,591,469	68,247,356	79,824,910
Bond issuance costs	1,476,630	735,484	199,010	227,479	1,675,640	962,963
Trustee fees	48,872	51,351	-	-	48,872	51,351
Other program and administrative	3,419,817	369,154	1,369,116	(27,518)	4,788,933	341,636
Total Operating Expenses	<u>60,786,870</u>	<u>68,389,430</u>	<u>13,973,931</u>	<u>12,791,430</u>	<u>74,760,801</u>	<u>81,180,860</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(9,658,635)</u>	<u>(11,986,794)</u>	<u>(1,499,503)</u>	<u>1,060,671</u>	<u>(11,158,138)</u>	<u>(10,926,123)</u>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>						
Capital contributions	33,617,000	37,003,474	13,990,436	21,511,866	47,607,436	58,515,340
Loan forgiveness	(435,780)	(3,063,474)	(2,750,733)	(8,100,826)	(3,186,513)	(11,164,300)
Total Nonoperating Revenues and (Expenses)	<u>33,181,220</u>	<u>33,940,000</u>	<u>11,239,703</u>	<u>13,411,040</u>	<u>44,420,923</u>	<u>47,351,040</u>
<b>INCREASE IN NET POSITION</b>	23,522,585	21,953,206	9,740,200	14,471,711	33,262,785	36,424,917
<b>NET POSITION</b>						
Beginning 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>
End of Year	<u>\$ 1,004,195,873</u>	<u>\$ 980,673,288</u>	<u>\$ 274,348,500</u>	<u>\$ 264,608,300</u>	<u>\$ 1,278,544,373</u>	<u>\$ 1,245,281,588</u>

**STATE REVOLVING FUND LOAN PROGRAMS**  
**(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)**  
**COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION**  
**Years Ended June 30, 2015 and 2014**

	Waste water Program		Drinking Water Program		Combined	
	2015	2014	2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash payments for salaries, administrative and other expenses	\$ (1,896,465)	\$ (2,708,490)	\$ (107,693)	\$ 15,913	\$ (2,004,158)	\$ (2,692,577)
Administration fee	20,000	14,000	10,006	6,000	30,006	20,000
Net Cash Provided (Used) by Operating Activities	<u>(1,876,465)</u>	<u>(2,694,490)</u>	<u>(97,687)</u>	<u>21,913</u>	<u>(1,974,152)</u>	<u>(2,672,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Maturities of loans to participants	184,707,814	161,880,975	31,467,102	39,029,516	216,174,916	200,910,491
Issuance of loans to participants	(164,585,102)	(113,073,321)	(13,931,595)	(14,655,370)	(178,516,697)	(127,728,691)
Change in investments	10,887,010	247,119,721	37,287,060	39,222,512	48,174,071	286,342,232
Interest received on loans and investments	52,324,224	58,317,592	11,967,686	13,662,970	64,291,910	71,980,562
Purchase of capital assets	(76,530)	(24,686)	3,000	3,000	(73,530)	(21,686)
Net Cash Provided by Investing Activities	<u>83,257,416</u>	<u>354,220,281</u>	<u>66,793,253</u>	<u>77,262,628</u>	<u>150,050,670</u>	<u>431,482,908</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Proceeds from debt issuance	209,271,876	66,845,822	30,443,124	20,079,178	239,715,000	86,925,000
Principal payments to reduce indebtedness including refunding	(268,444,884)	(345,499,526)	(62,470,734)	(68,074,984)	(330,915,618)	(413,574,510)
Payment of debt issuance costs, net of refunding	(1,476,630)	(735,484)	(199,010)	(227,479)	(1,675,640)	(962,963)
Interest paid on debt	(57,476,673)	(73,146,795)	(12,970,671)	(13,719,368)	(70,447,344)	(86,866,163)
Net Cash Used by Non-Capital Financing Activities	<u>(118,126,311)</u>	<u>(352,535,983)</u>	<u>(45,197,291)</u>	<u>(61,942,653)</u>	<u>(163,323,602)</u>	<u>(414,478,636)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>						
Capital Contributions (EPA Grants)	33,790,000	33,189,474	14,162,096	18,806,307	47,952,096	51,995,781
Issuance of forgivable loans to participants	(435,780)	(3,063,474)	(2,750,733)	(8,100,826)	(3,186,513)	(11,164,300)
Net Cash Provided by Capital Financing Activities	<u>33,354,220</u>	<u>30,126,000</u>	<u>11,411,363</u>	<u>10,705,481</u>	<u>44,765,583</u>	<u>40,831,481</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	(3,391,140)	29,115,808	32,909,638	26,047,369	29,518,499	55,163,176
<b>CASH AND EQUIVALENTS</b>						
Beginning of Year	457,454,986	428,339,178	91,570,084	65,522,715	549,025,069	493,861,893
End of Year	<u>\$ 454,063,846</u>	<u>\$ 457,454,986</u>	<u>\$ 124,479,722</u>	<u>\$ 91,570,084</u>	<u>\$ 578,543,568</u>	<u>\$ 549,025,069</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (9,658,635)	\$ (11,986,794)	\$ (1,499,503)	\$ 1,060,671	\$ (11,158,138)	\$ (10,926,123)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Interest income	(51,108,235)	(56,388,636)	(11,722,301)	(13,483,708)	(62,830,536)	(69,872,344)
Interest expense	55,841,551	67,233,441	12,405,805	12,591,469	68,247,356	79,824,910
Bond issuance costs	1,476,630	735,484	199,010	227,479	1,675,640	962,963
Changes in assets and liabilities:						
Accounts receivable	2,000	(2,000)	-	-	2,000	(2,000)
Accounts payable	72,968	20,180	(85,652)	148,064	(12,684)	168,244
Amount due to federal government	1,497,256	(2,306,165)	604,954	(522,062)	2,102,210	(2,828,227)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,876,465)</u>	<u>\$ (2,694,490)</u>	<u>\$ (97,687)</u>	<u>\$ 21,913</u>	<u>\$ (1,974,152)</u>	<u>\$ (2,672,577)</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, 2015

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

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

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, 2015, 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 28, 2015.

### **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 28, 2015

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18000115-0	33,617,000	<u>\$ 33,617,000</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548612-0	14,970,000	22,496
	66.468	FS98548613-0	561,840	185,313
	66.468	FS98548614-0	14,061,040	1,000,000
	66.468	FS98548614-0	286,960	253,923
	66.468	FS98548615-0	12,967,940	12,967,940
	66.468	FS98548615-0	285,060	-
	66.468	FS98548615-0	1,000,000	302,884
				<u>14,732,556</u>
				<u>\$ 48,349,556</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, 2015**

**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:

<b>Program Title</b>	<b>CFDA Number</b>	<b>Amount Provided</b>
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$33,617,000
Capitalization Grants for Drinking Water State Revolving Funds	66.468	13,990,436

At June 30, 2015, the balance of ARRA forgivable loans was \$15,988,559, and loans forgiven during fiscal year 2014 were \$3,186,513.

*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 Program's 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 Program's major federal programs for the year ended June 30, 2015. The State Revolving Fund Loan Program's 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, 2015.

### **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, 2015, and have issued our report thereon dated September 28, 2015, 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 28, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2015**

**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:

<b>CFDA Number</b>	<b>Agency</b>	<b>Title</b>
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, 2015**

**SECTION I – Summary of Auditors’ Results (Continued)**

Dollar threshold used to distinguish between type A and type B programs:	\$1,450,487
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 N

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

**Drinking Water Projects Closed State Fiscal Year 2015**

● **Drinking Water  
2015 Projects**  
\$24.9 Million  
12 Loans

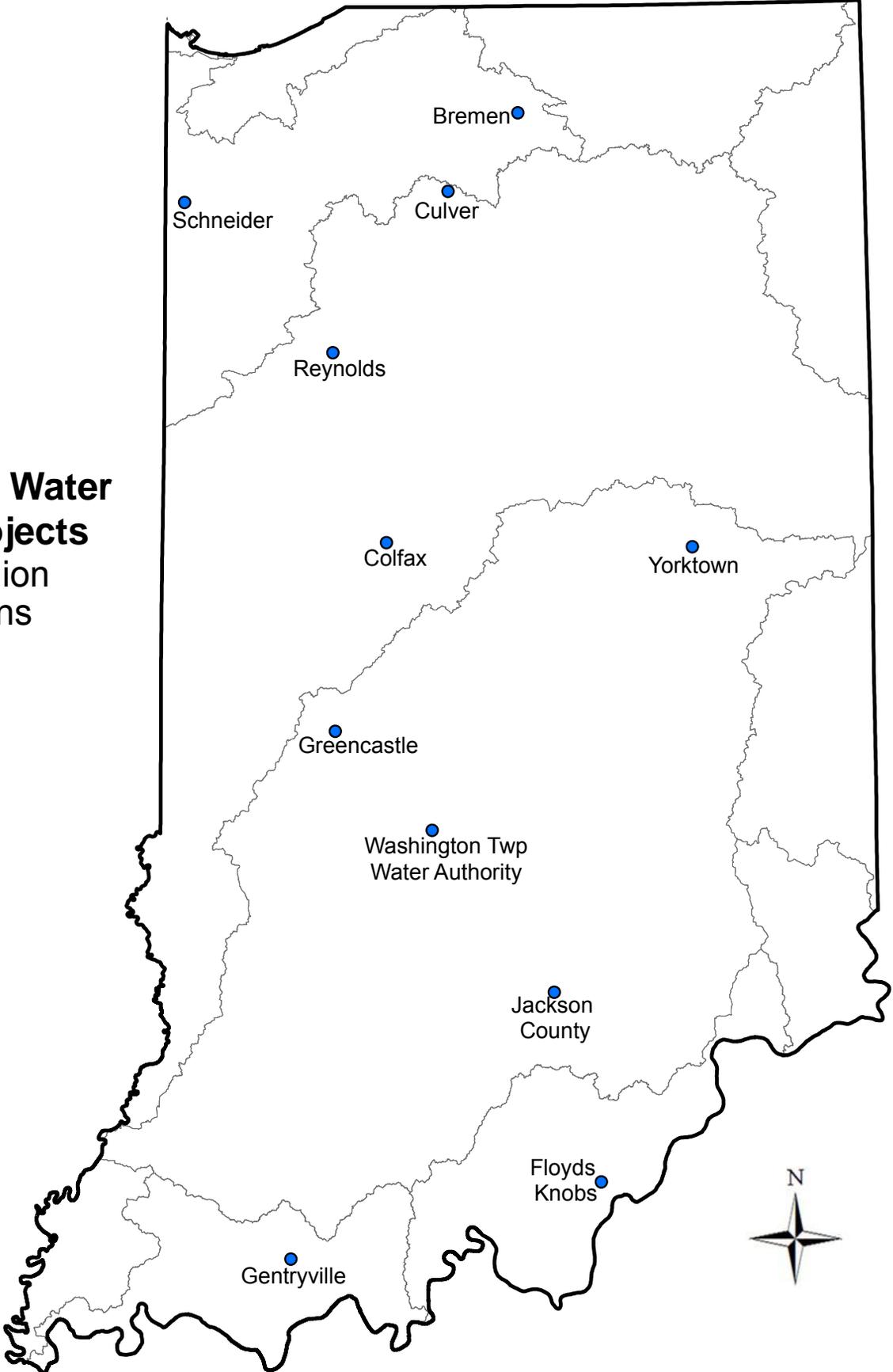
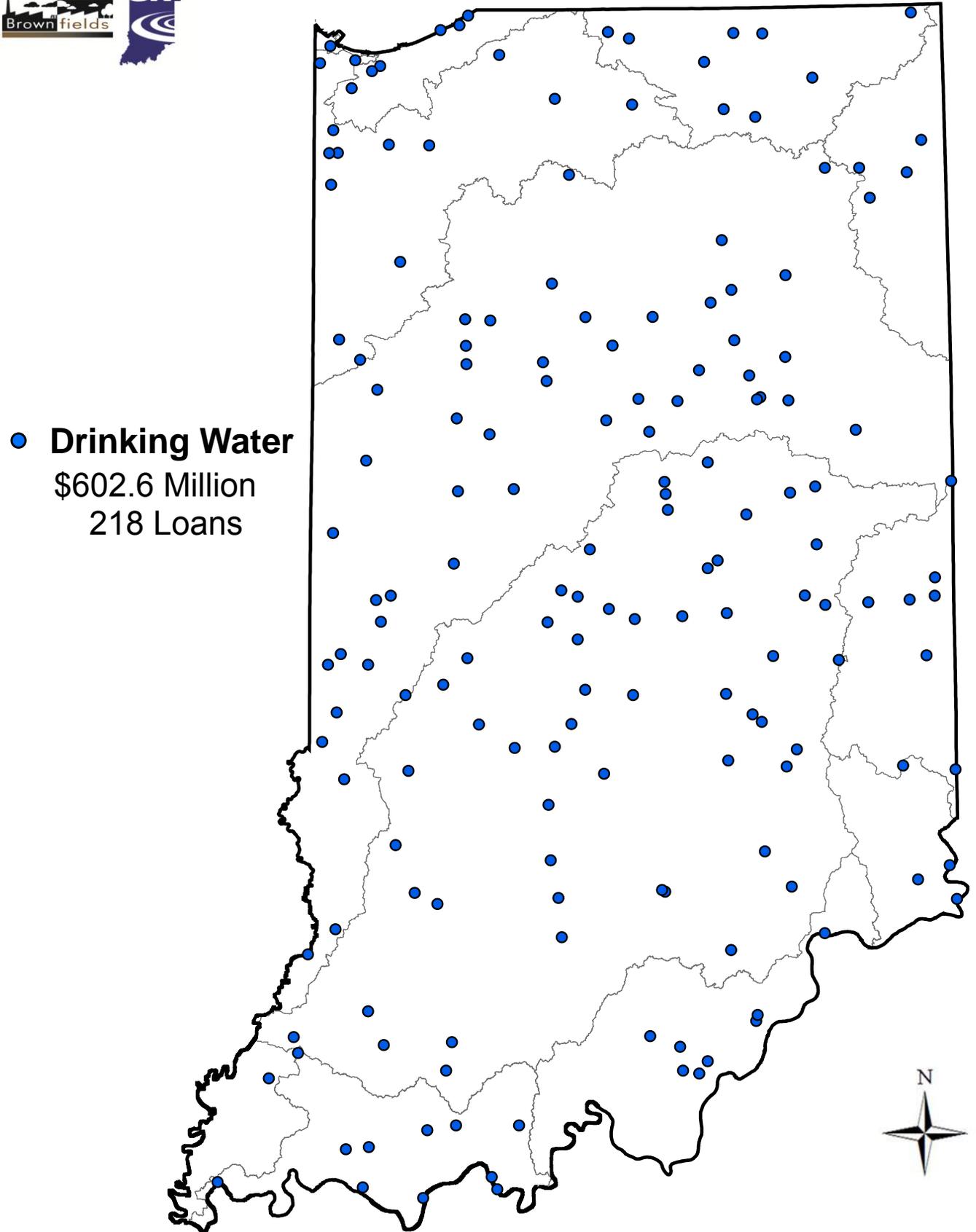




Exhibit O

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

All Drinking Water Projects Closed Since 1999



Indiana DWSRF Loan Program  
Exhibit P - Summary of Set-Aside Funds in SFY 2015

Capitalization Grant Year	Set-Aside	Current Award Amount	Balance on 7/1/2014	ASAP Activity Date	Activity Amount	Description	Balance on 6/30/2015
2013	Administrative	561,840.00	186,563.09	09/29/14	(37,101.48)	DW Administrative Expenses	
				12/31/14	(76,331.96)	DW Administrative Expenses	
				03/31/15	(73,129.65)	DW Administrative Expenses	
<hr/>							
2014	Administrative	286,960.00	286,960.00	03/31/15	(21,943.69)	DW Administrative Expenses	94,196.16
				06/30/15	(170,820.15)	DW Administrative Expenses	
<hr/>							
2015	Administrative	285,060.00	-		-	DW Administrative Expenses	285,060.00
2015	State Program Management*	1,000,000.00	-		-	State Program Management Expenses	1,000,000.00

(379,326.93)

\*Planning and Long Range needs of large systems and community assistance with SWERP. More information on page 7 of this report.