

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2013
July 1, 2013**

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2013 ANNUAL REPORT

I.	Introduction	1
II.	SRF Loan Program Management	1
III.	Goals and Objectives of the SFY 2013 Intended Use Plan	1
IV.	Environmental Review	2
V.	State Match	2
VI.	Binding Commitments	2
VII.	Expeditious and Timely Use of Funds	3
	A. Interest Rates	3
	B. Terms	3
	C. Other Assistance Provided	4
	D. Administrative Fees	4
	E. Transfers	4
	F. Cross Collateralization	4
	G. DWSRF Loan Program Financial Statements	5
	H. Federal Requirements	5
	I. Compliance with 40 CFR Part 31	5
VIII.	Projects Funded	6
IX.	Eligibility	6
X.	Set-Asides	7
XI.	Assistance to Small Systems	7
XII.	Disadvantaged Communities	8

Exhibits:

Exhibit A:	Goals and Objectives of the DWSRF Loan Program SFY 2013 Intended Use Plan
Exhibit B:	Green Project Reserve by Capitalization Grant Year
Exhibit C:	Additional Subsidization by Capitalization Grant Year
Exhibit D:	SFY 2013 DWSRF Loan Program Project Descriptions
Exhibit E:	Cumulative History of the Federal DWSRF Capitalization Grants
Exhibit F:	Cumulative History of the State Match
Exhibit G:	Summary of DWSRF Loan Program Loans Closed in SFY 2013
Exhibit H:	Expeditious and Timely Use of Funds
Exhibit I:	SFY 2013 DWSRF Loan Program Quarterly Interest Rates
Exhibit J:	Summary of DWSRF Transfers
Exhibit K:	Combined Financial Statements
Exhibit L:	Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports
Exhibit M:	DWSRF Projects Closed in SFY 2013 Map
Exhibit N:	DWSRF Projects Closed Since 1999 Map
Exhibit O:	Summary of Set-Aside Funds in SFY 2013

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I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2013 (July 1, 2012 - June 30, 2013). It is prepared in accordance with Section 1452 of the Safe Drinking Water Act (SDWA), as amended, 42 U.S.C. 300j-12, and with 40 CFR 35.3570.

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

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

III. GOALS AND OBJECTIVES OF THE SFY 2013 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 2013 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 2013, the Authority chose to continue the Green Project Reserve (GPR) Sustainability Incentive Program, which provides an interest rate break incentive to SRF participants that incorporate green project components into their projects. In SFY 2013, green projects accounted for 31%, or \$4,290,337 of the 2013 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 2013 Capitalization Grant in the form of additional subsidization. Additional subsidization may be in the form of principal forgiveness, negative interest rate loans, or grants. As of June 30, 2013, the DWSRF Loan Program provided 31% of the 2010 Capitalization Grant, 32% of the 2011 Capitalization Grant, and 11% of the 2012 Capitalization Grant in the form of principal forgiveness. The DWSRF Loan Program has identified several communities that are eligible to receive the Additional Subsidization remaining from the 2012 Capitalization Grant. The 2013 Capitalization Grant was awarded on July 19, 2013 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2013 Capitalization Grant. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidy in the form of principal forgiveness. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. Exhibit C will be updated in subsequent Annual Reports until the Additional Subsidization requirement has been met. Priority for additional subsidization was given to communities that could not otherwise afford such projects.

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

All DWSRF Loan Program-funded projects and activities were in compliance with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). A description of each project funded in SFY 2013 is attached in Exhibit D.

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

The Authority has fully met its State Match requirements through the end of SFY 2013 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF Loan Fund). The State deposited \$2,788,000 million of State Match in the DWSRF Loan Program in SFY 2013. To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the awarded \$214,366,100 million Capitalization Grants the Authority was required to match through June 30, 2013. See Exhibit E for a history of the Capitalization Grants awarded to the DWSRF Loan Program. Exhibit F details State Match deposited in the DWSRF through the end of SFY 2013, 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 2013, the DWSRF Loan Program closed 14 loans totaling \$39,439,000. Since the DWSRF Loan Program's inception in 1997, over 195

loans aggregating over approximately \$565 million have been closed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program (\$241,578,100). For a summary of all loans closed by the DWSRF Loan Program during SFY 2013, see Exhibit G.

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

The DWSRF Loan Program is a leveraged program and has established itself as a highly rated borrower in the national bond market. The Authority has utilized its Capitalization Grants to leverage multiple series of bonds, aggregating over \$301 million in outstanding principal as of June 30, 2013, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit H: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, and costs of issuance.

A. Interest Rates

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

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

In SFY 2013, the DWSRF Loan Program closed loans with interest rates that ranged from 0.00% to 2.69%. A summary of SFY 2013 interest rates for non-Pooled DWSRF Loans is set forth in Exhibit I.

In SFY 2013, the subsidized DWSRF Loan Program interest rate provided an estimated savings of \$15,320,418 to participants who closed a DWSRF Loan Program loan. See "SRF Savings" column Exhibit G for savings provided to each participant.

B. Terms

Consistent with applicable law, all DWSRF Loan Program loans closed in SFY 2013 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 2013, the DWSRF Loan Program provided \$4,100,000 of Additional Subsidy 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 2013, the DWSRF Loan Program provided \$9,294,000 of DWSRF Pooled Loans to four loan recipients. This program offers eligible participants the “AAA” interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

During SFY 2013, the DWSRF Loan Program provided assistance to one community in the amount of \$2,865,000 for the purpose of refinancing SRF debt from 2004.

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

The cost of financing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require participants to offset some of these costs through a Loan Closing Fee, which is \$1,000 per participant. The DWSRF Loan Program may also assess a Non-Use Fee against participant for funds not used for project costs two years following a loan closing. In SFY 2013, the DWSRF Loan Program collected \$13,000 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 2013. For a historic summary of transfers, see Exhibit J.

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

To the extent permitted by the CWA and the SDWA, the State has cross-collateralized the CWSRF and the DWSRF Loan Programs to optimize

capitalization requirements and to better manage the specific funding needs of projects.

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

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

G. DWSRF Loan Program Financial Statements

The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2013, which ended June 30, 2013, the DWSRF Loan Program received an unqualified opinion from an independent auditor, as described in Exhibit K.

The DWSRF Loan Program is audited annually for compliance with the requirements set forth in the U.S. Office of Management and Budget (OMB) Circular A-133. For SFY 2013, which ended June 30, 2013, the DWSRF Loan Program was determined to be "in compliance," as noted in the Schedule of Expenditures of Federal Awards and OMB Circular A-133 Auditors' Reports. The A-133 Report is provided as Exhibit L.

H. Federal Requirements

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

- assurances and certifications provided in the IUP have been met;
- closed loans equal more than the required 120% of each quarterly Capitalization Grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been done in accordance with federal and state law. All loans made during the SFY 2013 had related projects listed on the Authority's Drinking Water Project Priority List (PPL).

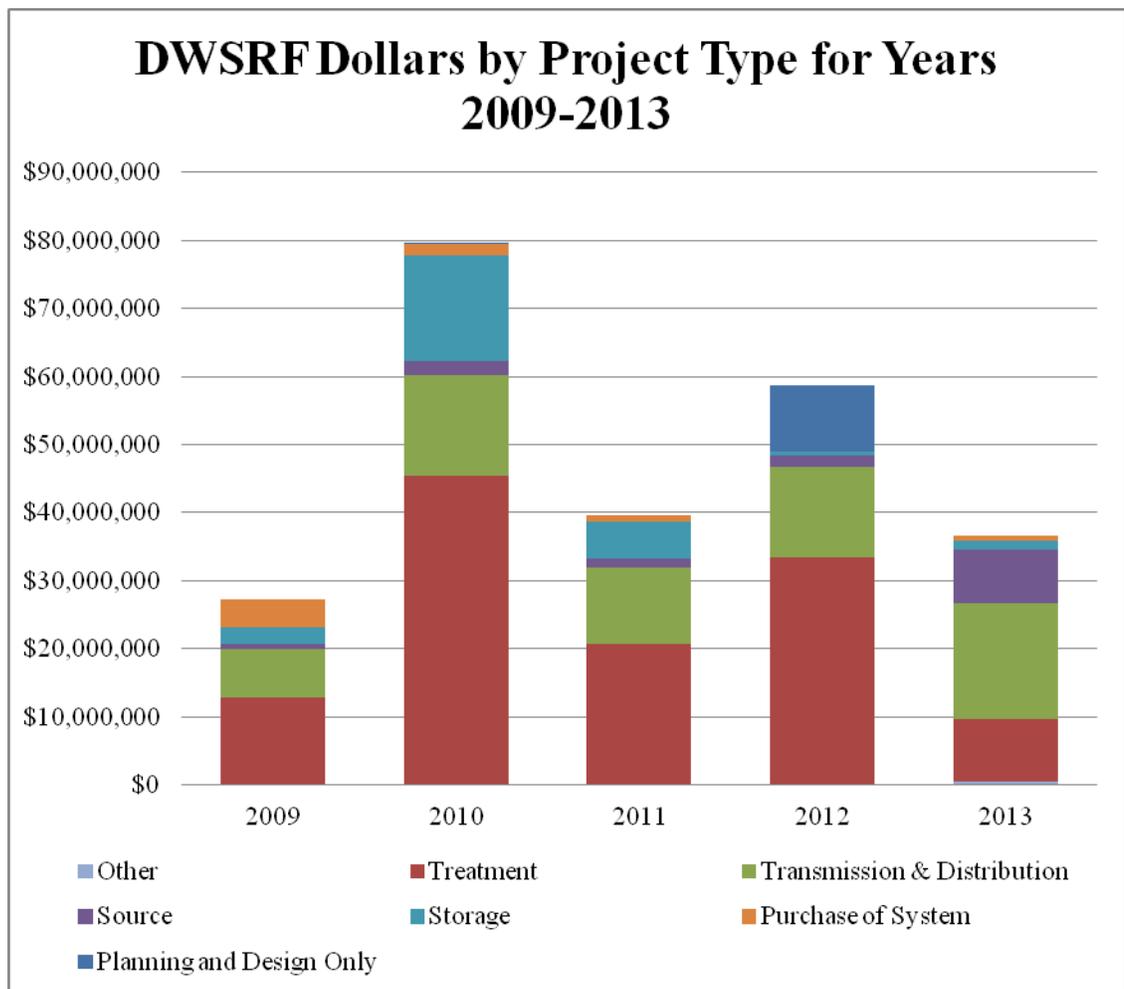
I. Compliance with 40 CFR Part 31 – 40 CFR 35.3570 (a)(3)(xiv)

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

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

The scoring and ranking system of the DWSRF Loan Program focuses on those projects with the greatest public health need. A map showing the location of projects funded in SFY 2013 is attached as Exhibit M. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit N.

In 2013, the total DWSRF dollars spent on Transmission & Distribution projects exceeded the total DWSRF dollars spent on Treatment projects, which has not happened in the past five years. See *DWSRF Dollars by Project Type for Years 2009-2013*.



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 2013, 99% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 1%, or \$371,000, went towards a project that assisted a non-compliant system to achieve compliance.

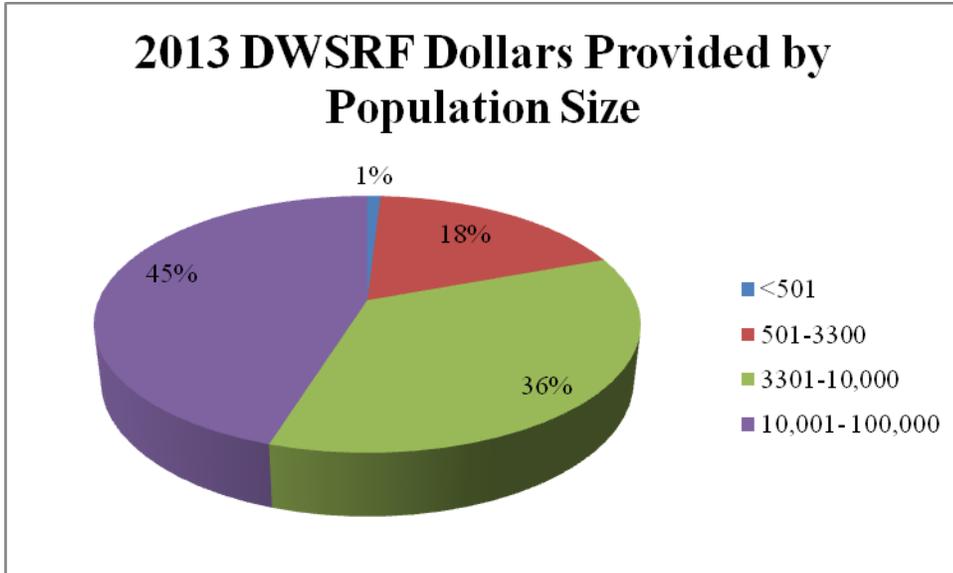
X. SET-ASIDES – 40 CFR 35.3570 (a)(3)(vi)

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

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

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

In SFY 2013, 55% of DWSRF funds went to systems serving fewer than 10,000 persons, as shown in *2013 DWSRF Dollars Provided by Population Size*. Cumulatively, the DWSRF Loan Program has provided 41% of its funds to small systems.



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

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

During SFY 2013, the Authority provided approximately \$6,000,000 to one disadvantaged community. The total disadvantaged population served was 6,600 persons.

Exhibit A
Goals and Objectives of the DWSRF Loan Program State Fiscal Year (SFY) 2013 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) 2013, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

ST1 Goal: Seek the immediate award of the Federal Fiscal Year (FFY) 2013 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2013 Capitalization Grant can promptly be utilized.

Result: The FFY 2013 Capitalization Grant was awarded to the Authority on July 19, 2013. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2013 Capitalization Grant can be fully drawn, other than the amount set aside for Additional Subsidy.

ST1a Goal: Ensure that at least 20% but no more than 30% of the 2013 Capitalization Grant is used to provide Additional Subsidization in the form of principal forgiveness, negative interest loans or grants.

Result: The 2013 Capitalization Grant was awarded on July 19, 2013 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2013 Capitalization Grant. In SFY 2013, the Authority provided \$4,100,000 of Additional Subsidy in the form of principle forgiveness to 3 loan recipients. As of June 30, 2013, the DWSRF Loan Program has provided 31% of the 2010 Capitalization Grant, 32% of the 2011 Capitalization Grant, and 11% of the 2012 Capitalization Grant in the form of principle forgiveness. The DWSRF Loan Program has identified several communities that are eligible to receive the Additional Subsidization remaining from the 2012 Capitalization Grant. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. See Exhibit C, Additional Subsidization by Capitalization Grant Year.

ST1b Goal: Ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under the 2013 Capitalization Grant.

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

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 2013, 99% of DWSRF dollars funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 1%, or \$371,000, went towards a project that assisted a non-compliant system to achieve compliance.

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

Result: SRF Loan Program staff completed 45 drinking water inspections in SFY 2013.

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 2013, 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 14 loans. Requiring communities to bid prior to loan closing and providing a timeline allows 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 2013, 14 DWSRF loans were closed. See Exhibit I, Summary of Closed Loans for SFY 2013.

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

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

LT3 Goal: Monitor all outstanding loans and the financial capability of Participants through the use of an in-house monitoring system and, in conjunction with the Bank of New York, ensure the DWSRF Loan Program continues to avoid loan defaults. In particular, review the financial statements for Participants receiving a State Board of Accounts audit in the current calendar year. Require new Participants to utilize paying agent agreements and offer all prior Participants the opportunity to enter into a paying agent agreement. Conduct financial on-site visits as warranted.

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

LT4 Goal: Leverage U.S. Environmental Protection Agency (EPA) Capitalization Grants to generate loans that exceed two-times the awarded grant amounts.

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

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

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

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

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

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

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

LT8 Goal: Periodically publish an SRF Loan Program newsletter.

Result: A newsletter was published in February 2013.

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

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

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

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

LT11 Goal: Work diligently with Participants who received American Recovery and Reinvestment Act (ARRA) funds to effectively manage their Projects so as to meet all of the requirements of the ARRA, including the following:

LT11a Goal: Ensure that none of the funds appropriated are used for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project is produced in the United States unless a waiver is given by EPA. This requirement shall be applied in a manner consistent with the U.S. obligations under international agreements.

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

LT11b Goal: The DWSRF Loan Program shall report no less than weekly on the use of the funds provided under the ARRA. The Drinking Water Project Tracking System will be used to gather information regarding key project characteristics and milestones. Project data shall be entered into the reporting system as soon as loan agreements are signed with recipients. The DWSRF Loan Program shall meet all reporting requirements established under the ARRA.

Result: In SFY 2013, project data was submitted on a weekly basis or as required to satisfy ARRA reporting requirements to EPA and other authorities. ARRA reporting was completed in SFY 2013.

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

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

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

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

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

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

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

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

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

In SFY 2013, green projects accounted for 31%, or \$4,290,337 of the 2013 Capitalization Grant. See Exhibit B, Green Project Reserve by Capitalization Grant Year.

LT15 Goal: Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate and reducing un-liquidated obligations. Coordinate with the Indiana Department of Environmental Management (IDEM) to develop new Set-Aside programs as needed.

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

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

Result: In SFY 2013, 55% of DWSRF funds went to systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 41% of its funds to small systems.

LT17 Goal: Complete a drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water Proposed Projects.

Result: In SFY 2013, the SRF technical reviewers continued with drinking water technical training by conducting on-site inspections of water main installation/replacement projects on their own, co-conducting on-site inspections of water storage facilities, attending drinking water technical sessions at the Indiana Section of the American Water Works Association conference, and conducting independent preliminary engineering report technical reviews of 16 water main replacement projects.

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

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

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

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

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

DWSRF Loan Program 2013 Capitalization Grant =
Green Project Reserve Provided =

\$14,046,000
\$4,290,337

31%

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
Speedway	Two wells, the surface water intake, and other water treatment plant components have reached the end of useful life. In addition, improvements are needed to comply with LT2ESWTR/Stage 2 DBR. The utility plans to install new wells, a new surface water intake, and make upgrades at the groundwater and surface water treatment plants.	\$ 7,000,000	\$ 5,300,000	Premium efficiency motors, VFDs, power factor capacitors, HPS and LED lighting, new passive water intake	\$ -	\$ -	\$ 842,490	\$ -	\$ 842,490	1/18/2013	12/13/2012
Lake Station (Phase 1)	The utility struggles with declining well supply, high iron and manganese levels, and high lost water percentage. To address these issues, the utility plans to install replacement and new wells, a new water treatment plant, new water mains, and implement a meter replacement program.	\$ 9,771,000	\$ 9,771,000	Premium efficiency motors, VFDs, SCADA upgrade, use of recycled material, backwash reclamation, water meters	\$ -	\$ 665,000	\$ 350,000	\$ 844,472	\$ 2,007,472	1/18/2013	12/13/2012
Owensville	To address pressure and water quality issues, a high lost water percentage, and a lack of backflow protection, the utility plans to replace water mains, meters, and install backflow prevention devices.	\$ 1,080,000	\$ 1,080,000	water main and water meter replacement	\$ -	\$ 678,522	\$ -	\$ -	\$ 678,522	3/27/2013	2/28/2013
Lake Station (Phase 2)	The utility struggles with insufficient flow and high lost water percentage. The utility will install new mains, storage tank, and will complete a water loss audit and leak detection survey.	\$ 2,100,000	\$ 2,100,000	ductile iron pipe	\$ -	\$ -	\$ -	\$ 77,845	\$ 77,845	8/23/2013	5/14/2013
Brooklyn	The utility's distribution system has problems with low flow and pressure problems. To address these issues, the utility plans to raise the height of an existing water tower, replace undersized lines and hydrants, and add lines for looping.	\$ 953,000	\$ 953,000	water main replacement	\$ -	\$ 684,008	\$ -	\$ -	\$ 684,008	8/23/2013	5/16/2013

2013 Capitalization Grant TOTAL

\$ 4,290,337

Indiana DWSRF Loan Program
Exhibit C - Additional Subsidization by Capitalization Grant¹

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

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

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

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

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

2011 Capitalization Grant TOTAL **\$ 5,000,000**

DWSRF Loan Program 2012 Capitalization Grant = **\$14,970,000**
 Additional Subsidization Required (20% to 30%) = \$2,994,000 to \$4,491,000
 Additional Subsidization Goal = \$3,000,000
 Additional Subsidization Provided = \$1,700,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Whitestown	6/19/2013	\$ -	\$ 1,450,000	\$ 1,450,000
Reelsville Water Authority	5/29/2013	\$ 2,865,000	\$ 250,000	\$ 3,115,000

2012 Capitalization Grant TOTAL **\$ 1,700,000**

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 = \$0

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness

2013 Capitalization Grant TOTAL **\$ -**

TOTAL Additional Subsidization Provided **\$13,700,000**

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

Exhibit D
State Fiscal Year (SFY) 2013 DWSRF Loan Program Project Descriptions

DWSRF Participant: Greenville	
SRF Project #: DW 10152201	DWSRF Loan Amount: \$1,300,000
Public Water Supply (PWS) ID #: IN 5222004	Principal Forgiveness: \$0
DWSRF Loan Closed: 9/24/2012	Total Loan and Principle Forgiveness: \$1,300,000
Project Type Categories: Transmission & Distribution: \$295,108 Source: \$1,004,892	Estimated SRF Savings: \$318,444
	Affected Population: 4,363
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Greenville Water Utility did not have adequate water storage and the existing storage tanks needed repair. The utility had approximately 110,000 gallons of storage, but an average day demand of approximately 390,000 gallons. In addition, the utility obtained all of its water supply from other water utilities and, during peak demand periods, water supply was insufficient. The lack of an adequate supply resulted in water shortages, low tank levels, low system pressures, and restrictions on water consumption. The utility had a contract with Indiana American Water Company to purchase water, but the water pressure provided by Indiana American was lower than that of the Greenville at the current connection point.</p> <p>To address these needs, the utility constructed a new 400,000 gallon standpipe to provide storage, supply, and pressure. The town also constructed a booster pump station and extended a water line to provide a new alternate water supply connection with Indiana American.</p>	
	<p><i>Greenville's new water tower.</i></p>

DWSRF Participant: Speedway	
SRF Project #: DW 11074901	DWSRF Loan Amount: \$5,300,000
PWS ID #: IN 5249008	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/13/2012	Total Loan and Principle Forgiveness: \$5,300,000
Project Type Categories: Treatment: \$3,439,265 Source: \$1,860,735	Estimated SRF Savings: \$1,589,038
	Affected Population: 12,881
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Speedway's water utility had several needs: the surface water intake was old and needed replacement, the surface water treatment plant needed improvements to comply with Long Term 2 Enhanced Surface Water Treatment Rule and Stage 2 Disinfectants and Disinfection Byproducts Rule, the groundwater wells suffered from declining water production, and the ground water treatment plant had components that were at the end of useful life.</p> <p>In response, the town constructed three new wells, a new surface water intake structure and raw water pump station. At the surface water treatment plant, the town added UV disinfection, modified the powdered activated carbon system, upgraded filters, replaced high service pumps, replaced transfer pumps and valves, replaced raw water pumps' motors and controls, upgraded the electrical system and made other improvements, in addition to purchasing a standby generator. At the groundwater treatment plant, the town made electrical improvements, replaced valves and actuators, and made other upgrades.</p> <p>These improvements will allow the utility to continue to provide safe and reliable water, and maintain compliance with existing and future regulations.</p>	

DWSRF Participant: New Chicago	
SRF Project #: DW 12054501	DWSRF Loan Amount: \$6,000,000
PWS ID #: IN 5245032	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/13/2012	Total Loan and Principle Forgiveness: \$6,000,000
Project Type Categories: Transmission & Distribution: \$6,000,000	Estimated SRF Savings: \$1,405,744
	Affected Population: 6,600
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The New Chicago water utility suffered from undersized and deteriorated water mains that caused low pressure and water quality issues. In addition, the utility also needed another connection with its sole water supplier and needed improvements to its telemetry system.</p> <p>In response, the town installed 37,700 feet of 6-inch, 22,530 feet of 8-inch, and 5,060 feet of 12-inch water main with associated hydrants and valves. The town also installed approximately 150 feet of 8-inch diameter water main in a 24-inch casing pipe at a railroad jack and bore; approximately 355 feet of 12-inch diameter water main in a 24-inch casing pipe at a interstate highway crossing; an water interconnection with Indiana American Water Company, and; telemetry improvements at various distribution system locations.</p> <p>This work will improve pressure, water quality, and system reliability.</p>	

DWSRF Participant: Cedar Lake	
SRF Project #: DW 10134503	DWSRF Loan Amount: \$1,314,000
PWS ID #: IN 5245047	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/13/2012	Total Loan and Principle Forgiveness: \$1,314,000
Project Type Categories:	Estimated SRF Savings: \$217,538
Transmission & Distribution: \$588,670	Affected Population: 2,214
Purchase of Systems: \$725,330	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Cedar Lake needed to extend a water main along 129th Avenue to address low water pressure and poor water quality issues in the area. By extending approximately 3,800 feet of 12-inch water main, the distribution system in the area was looped, and water quality and quantity improved.</p> <p>The town also acquired the Robin's Nest Water Company, Inc. to ensure continued delivery of reliable drinking water to Robin's Nest customers.</p>	

DWSRF Participant: Lake Station (Phase I)	
SRF Project #: DW 12034501	DWSRF Loan Amount: \$9,771,000
PWS ID #: IN 5245027	Principal Forgiveness: \$0
DWSRF Loan Closed: 12/13/2012	Total Loan and Principle Forgiveness: \$9,771,000
Project Type Categories:	Estimated SRF Savings: \$2,451,154
Treatment: \$5,343,601	Affected Population: 12,572
Transmission & Distribution: \$3,187,023	
Source: \$1,240,376	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The City of Lake Station's water utility suffered from declining well water pumping rates, taste and odor problems, and residential water meters at the end of useful life. The city provided no water treatment but wanted to improve water quality, provide softened water, and reduce its dependency on purchased water.</p> <p>In response, the city installed new water wells, replaced water mains, and constructed a new water treatment plant. The new wells will provide additional supply and the new water treatment plant will reduce iron and manganese. Replacing water mains will improve water quantity and quality; replacing water meters will improve the utility's high unaccounted for water loss.</p>	
<div style="display: flex; align-items: center;">  <div style="margin-left: 20px;"> <p><i>Lake Station's horizontal pressure filters will reside in custom openings at the new water treatment plant.</i></p> </div> </div>	

DWSRF Participant: North Lawrence Water Authority	
SRF Project #: DW 10084702	DWSRF Loan Amount: \$635,000
PWS ID #: IN 5247004	Principal Forgiveness: \$0
DWSRF Loan Closed: 2/19/2013	Total Loan and Principle Forgiveness: \$635,000
Project Type Categories: Transmission & Distribution: \$635,000	Estimated SRF Savings: \$157,798
	Affected Population: 11,340
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: In 2002, the North Lawrence Water Authority completed several SRF-funded water system improvements, including the upgrade of pumps at existing Booster Station #2 to provide more flow to the Springville storage tanks and the eastern portion of the distribution system. The project also proposed the installation of reinforcement main to counteract small mains in the area of Booster Station #2, which were causing limited flow and pressure. However, funds ran short and the installation of the reinforcement main was not completed.</p> <p>Therefore in 2009, the utility reapplied to the SRF Loan Program to complete the project, which included a route revision due to easement acquisition issues. The project includes approximately 25,980 feet of 12-inch water main with all appurtenances from Booster Station #2 to the intersection of Cobb Lane and Springville Judah Road. In combination with the increased pumping capacity of Booster Station #2, the reinforcement main allows the utility to provide additional needed flow and pressure to the Springville storage tank and the eastern portion of the distribution system.</p>	

DWSRF Participant: Decatur County Water Corporation	
SRF Project #: DW 13171602	DWSRF Loan Amount: \$0
PWS ID #: IN 5216008	Principal Forgiveness: \$350,000
DWSRF Loan Closed: 2/21/2013	Total Loan and Principle Forgiveness: \$350,000
Project Type Categories: Other: \$350,000	Estimated SRF Savings: \$515,072
	Affected Population: 2,902
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Decatur County Rural Water Corporation lacked adequate office space for administration purposes and storage space for equipment and materials. The utility recently completed an SRF-funded water distribution improvements project and had leftover SRF funds but not enough to complete the construction of a new office building/storage space. In response, the utility applied to the SRF Loan Program for additional funds to complete the project. The new building will provide needed office space for administration and storage of equipment and supplies.</p>	

DWSRF Participant: Owensville	
SRF Project #: DW 12042601	DWSRF Loan Amount: \$1,080,000
PWS ID #: IN 5226006	Principal Forgiveness: \$0
DWSRF Loan Closed: 2/28/2013	Total Loan and Principle Forgiveness: \$1,080,000
Project Type Categories: Transmission & Distribution: \$989,000 Source: \$91,000	Estimated SRF Savings: \$331,258
	Affected Population: 2,190
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Owensville's distribution system was comprised of pipe ranging from 35-100 years old. It suffered from 23% water loss, low flow and pressure problems, and water quality issues caused by dead ends. Water meters had reached end of useful life. Lastly, the town's wastewater treatment plant lacked drinking water backflow prevention and the well field lacked emergency power.</p> <p>In response, the town installed approximately 6,340 feet of water main, plus valves and hydrants; replaced approximately 852 water meters and meter boxes; and installed a new automatic meter reading system, drinking water backflow prevention at the town's wastewater treatment plant, and a new emergency back-up electrical generator at the existing well field. These improvements will allow the town to continue to provide safe, clean drinking water to its residents.</p>	

DWSRF Participant: Lake Station (Phase II)	
SRF Project #: DW 12034502	DWSRF Loan Amount: \$2,100,000
PWS ID #: IN 5245027	Principal Forgiveness: \$0
DWSRF Loan Closed: 5/14/2013	Total Loan and Principle Forgiveness: \$2,100,000
Project Type Categories: Transmission & Distribution: \$892,525 Source: \$1,207,475	Estimated SRF Savings: \$521,851
	Affected Population: 12,572
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Lake Station utility needed additional flow and pressure in its distribution system; also, the utility had a significant amount of unaccounted for water.</p> <p>To address these issues, the utility:</p> <ol style="list-style-type: none"> 1. Installed approximately 2,836 feet of 12-inch diameter finished water transmission to deliver finished water from the recently-constructed water treatment plant to the existing ground storage tank in Riverview Park on Ripley Street; 2. Completed various electrical and control improvements, existing piping replacement, various building improvements and pump replacement in the existing water booster station located in Riverview Park on Ripley Street; 3. Installed of approximately 3,480 feet of 12-inch diameter of finished water main to provide looping in the distribution system; 4. Implemented a system wide water loss audit and leak detection survey. <p>These improvements will improve flow and pressure in the distribution system and help reduce unaccounted for water.</p>	

DWSRF Participant: Brooklyn	
SRF Project #: DW 11025501	DWSRF Loan Amount: \$953,000
PWS ID #: IN 5255002	Principal Forgiveness: \$0
DWSRF Loan Closed: 05/16/2013	Total Loan and Principle Forgiveness: \$953,000
Project Type Categories: Transmission & Distribution: \$659,321	Estimated SRF Savings: \$264,753
Source: \$22,894	Affected Population: 1,545
Storage: \$270,785	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Brooklyn's water system had areas that suffered from low pressure and low flows. The elevation of the water tower was not high enough to provide needed flow and pressure. The town's wells had declining productivity and needed to be serviced. In addition, some lines were undersized and needed looping to provide adequate flows. Lastly, due to the age of some lines, breaks were very common, contributing to an average water loss of 25%.</p> <p>In response, the town raised the existing elevated storage tank, added new Supervisory Control and Data Acquisition (SCADA) to the tank, refurbished the two wells, and installed approximately 4,315 feet of 6-inch water main and approximately 6,085 feet of 12-inch water main, plus additional valves, hydrants, and service connections.</p> <p>Increasing the elevation of the storage tank and installing larger and looped water mains will improve pressures and flows and reduce water loss in the distribution system. Refurbishing the wells will improve water production. The storage tank raising will also permit the elimination of an existing booster pump station, which requires a substantial amount of energy to operate and is subject to power outages. These improvements will provide a more reliable water supply.</p>	

DWSRF Participant: Reelsville Water Authority	
SRF Project #: DW 13202902	DWSRF Loan Amount: \$2,865,000
PWS ID #: IN 5267006	Principal Forgiveness: \$250,000
DWSRF Loan Closed: 5/29/2013	Total Loan and Principle Forgiveness: \$3,115,000
PROJECT TYPE Categories:	Estimated SRF Savings: \$1,408,846
Treatment: \$171,320	Affected Population: 2,184
Source: \$78,680	
Other: \$2,865,000	
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Reelsville Water Authority had several drinking water treatment components that had reached end of useful life and needed to be replaced; water quality was an issue. The chlorine analyzer was not functioning properly due to deterioration. The sodium permanganate feed system needed replacement. The Supervisory Control & Data Acquisition (SCADA) needed upgrades. The pumps in wells two and three were in poor condition. The filter backwash system required modifications. The filter media was potentially beyond its useful life, and needed inspection and replacement based on inspection results. The utility's interest rate associated with its 2004 SRF debt was higher than current SRF interest rates.</p> <p>In response, the utility purchased a new chlorine analyzer, replaced the sodium permanganate feed system with a potassium permanganate feed system, upgraded the SCADA controls system, replaced submersible pumps in wells two and three, modified the filter backwash water supply system to provide the appropriate pressure for backwashing and reduce the impact of excessive pipe vibrations during the backwash operations cycle, and inspected the filter media. The utility also refinanced its 2004 SRF debt at a lower interest rate.</p> <p>These improvements will enhance operational functionality, increase equipment reliability, increase personnel safety and decrease equipment failure.</p>	

DWSRF Participant: Spiceland	
SRF Project #: DW 13193301	DWSRF Loan Amount: \$450,000
PWS ID #: IN 5233016	Principal Forgiveness: \$0
DWSRF Loan Closed: 6/11/2013	Total Loan and Principle Forgiveness: \$450,000
PROJECT TYPE Categories: Transmission & Distribution: \$450,000	Estimated SRF Savings: \$111,825
	Affected Population: 850
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Spiceland operates a groundwater system but in 2012 connected to the City New Castle's water system in response to diminishing supply in its wells. However, because New Castle operates on a lower hydraulic grade, Spiceland's existing elevated water storage tank could not fill completely and the nearby distribution system experienced low pressure.</p> <p>In response, Spiceland installed a packaged booster station and approximately 100 feet of water main to connect to the distribution system. These improvements will allow Spiceland to utilize the maximum storage capacity of the tank and maintain adequate pressure and flow in the distribution system.</p>	

DWSRF Participant: Whitestown	
SRF Project #: DW 13180604	DWSRF Loan Amount: \$3,200,000
PWS ID #: IN 5206014	Principal Forgiveness: \$3,500,000
DWSRF Loan Closed: 6/19/2013	Total Loan and Principle Forgiveness: \$6,700,000
Project Type Categories: Transmission & Distribution: \$2,080,585 Storage: \$4,619,415	Estimated SRF Savings: \$5,945,925
	Affected Population: 3,664
This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.	
Project Description: Whitestown is a purchased water system that buys water from Citizens Energy Group via Whitestown's State Road 334 Pump Station. The infrastructure on the Citizen's side of the connection limits the amount of water that Citizens can provide. The shortfall is further compounded by Whitestown's substantial growth rate, which results in Whitestown's current storage and supply not being able to meet demands during high usage periods. In the summer of 2012, the town was forced to enact an emergency ban on non-essential water use due to high demand. In response, the town constructed a 2 million gallon elevated storage tank, a 4,200 gallons per minute booster station, and approximately 5,825 feet of water main. These improvements will allow the town to continue to provide safe, reliable drinking water.	

DWSRF Participant: Bloomingtondale	
SRF Project #: DW 11066101	DWSRF Loan Amount: \$371,000
PWS ID #: IN 5261001	Principal Forgiveness: \$0
DWSRF Loan Closed: 6/28/2013	Total Loan and Principle Forgiveness: \$371,000
PROJECT TYPE Categories: Treatment: \$371,000	Estimated SRF Savings: \$81,172
	Affected Population: 319
<p>This Project: Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.</p>	
<p>Project Description: The Town of Bloomingtondale was experiencing levels of nitrate in its drinking water above the maximum contaminate level, posing a health risk to its consumers. In response, the town installed a Reverse Osmosis Water Treatment Plant and high service pumps; raw water holding tank; backwash effluent line; an emergency generator and various electrical improvements; and various site improvements and fencing. This project will allow the town to ensure that nitrate in its drinking water is within safe levels.</p>	

Exhibit E

Cumulative History of Federal DWSRF Capitalization Grants

FFY 1997 Federal Capitalization Grant	\$ 25,371,806
FFY 1998 Federal Capitalization Grant	\$ 8,687,500
FFY 1999 Federal Capitalization Grant	\$ 9,105,300
FFY 2000 Federal Capitalization Grant	\$ 8,989,850
FFY 2001 Federal Capitalization Grant	\$ 9,159,460
FFY 2002 Federal Capitalization Grant	\$ 8,955,100
FFY 2003 Federal Capitalization Grant	\$ 9,398,200
FFY 2004 Federal Capitalization Grant	\$ 9,749,300
FFY 2005 Federal Capitalization Grant	\$ 11,201,850
FFY 2006 Federal Capitalization Grant	\$ 12,166,734
FFY 2007 Federal Capitalization Grant	\$ 11,484,000
FFY 2008 Federal Capitalization Grant	\$ 11,367,000
FFY 2009 Federal Capitalization Grant	\$ 11,367,000
American Recovery and Reinvestment Act of 2009 Grant	\$ 27,212,000
FFY 2010 Federal Capitalization Grant	\$ 22,638,000
FFY 2011 Federal Capitalization Grant	\$ 15,709,000
FFY 2012 Federal Capitalization Grant	\$ 14,970,000
FFY 2013 Federal Capitalization Grant	\$ 14,046,000
TOTAL GRANTS	\$ 241,578,100
TOTAL GRANTS REQUIRED TO MATCH	\$ 214,366,100

Exhibit F
Cumulative History of the State Match

The State deposited \$2.788 million of State Match in the DWSRF Loan Program in SFY 2013. To date, the DWSRF Loan Program State Match has aggregated greater than 20% of the awarded \$214.4 million Capitalization Grants that the Authority was required to match through June 30, 2013, as demonstrated in the below table.

\$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)
\$43,058,020	TOTAL

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

As a result of the foregoing, the State has deposited State Match in excess of that required based on grants awarded as of the end of SFY 2013 by \$184,800 (also known as over-match), which is banked toward future capitalization grants that are expected to be awarded in SFY 2014. 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 2014) to cash (and deposit it in the DWSRF) based upon incurred costs during SFY 2013, and banked as a result of it not having yet been used to convert any capitalization grant to cash.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF’s State Match; (2) DWSRF’s leveraged loans; (3) Wastewater (WW) SRF’s State Match; and (4) WWSRF’s leveraged loans. These bonds are repaid semi-annually and at the time of each payment the Authority tracks, allocates, and records their payment *first* between WWSRF and DWSRF purposes (with the percentage paid from DWSRF being equal to the proportion of the net bond proceeds originally deposited in DWSRF from those bonds as compared to their

total net bond proceeds) and *second* between State Match and leveraged loans purposes (with the payment allocated as a State Match repayment computed and tracked to be no more than the amount of the total DWSRF earnings applied on each payment date toward that bond payment). Set forth in the attached Exhibit F-1 is the principal amount of the State Revolving Fund Program Bonds allocated to State Match purposes for the DWSRF and the principal amount repaid as of the end SFY 2013.

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

Exhibit F - Schedule-1

<u>DRINKING WATER</u>								
Revenue	Original Par Amount of Bonds Designated as State Match	Amount retired during SFY Ending June 30						Remaining Par Amount of Bonds Designated as State Match
		2013	2012	2011	2010	2009	All Prior SFYs	
2001A	\$15,680,000	-	3,368,082	2,950,160	2,433,832	1,936,480	4,991,446	\$ -
2004B	3,625,835	-	-	66,299	650,271	619,383	2,289,882	-
2006A	1,988,671	-	-	-	-	618,671	1,370,000	-
2006B	2,359,076	-	-	-	-	1,054,076	1,305,000	-
2007B	2,087,648	-	177,648	1,110,000	800,000	-	-	-
2009A	6,610,905	1,310,000	500,000	170,000	-	-	-	4,630,905
2010B	4,083,672	-	1,335,000	1,465,000	-	-	-	1,283,672
2011A	1,413,300	-	1,000,000	-	-	-	-	413,300
2012B	2,390,013	140,000	-	-	-	-	-	2,250,013
Total	\$40,239,120	1,450,000	6,380,730	5,761,459	3,884,103	4,228,610	9,956,328	\$8,577,890

Indiana DWSRF Loan Program
Exhibit G - Summary of DWSRF Loan Program Loans Closed in SFY 2013

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
Greenville	24-Sep-12	\$ 1,300,000	\$ -	\$ 1,300,000	4.00%	\$ 1,913,126	2.030%	\$ 1,594,682	\$ 318,444
Cedar Lake	13-Dec-12	\$ 1,314,000	\$ -	\$ 1,314,000	4.00%	\$ 1,933,728	2.690%	\$ 1,716,191	\$ 217,538
Lake Station (Phase 1)	13-Dec-12	\$ 9,771,000	\$ -	\$ 9,771,000	4.00%	\$ 14,379,346	1.980%	\$ 11,928,192	\$ 2,451,154
New Chicago	13-Dec-12	\$ 6,000,000	\$ -	\$ 6,000,000	4.00%	\$ 8,829,810	2.120%	\$ 7,424,066	\$ 1,405,744
Speedway	13-Dec-12	\$ 5,300,000	\$ -	\$ 5,300,000	4.00%	\$ 7,799,666	1.560%	\$ 6,210,627	\$ 1,589,038
North Lawrence Water Authority	19-Feb-13	\$ 635,000	\$ -	\$ 635,000	4.00%	\$ 934,488	2.000%	\$ 776,690	\$ 157,798
Decatur County Rural Water	21-Feb-13	\$ -	\$ 350,000	\$ 350,000	4.00%	\$ 515,072	0.000%	\$ -	\$ 515,072
Owensville	28-Feb-13	\$ 1,080,000	\$ -	\$ 1,080,000	4.00%	\$ 1,589,366	1.500%	\$ 1,258,108	\$ 331,258
Lake Station (Phase 2)	14-May-13	\$ 2,100,000	\$ -	\$ 2,100,000	4.00%	\$ 3,090,434	2.000%	\$ 2,568,582	\$ 521,851
Brooklyn	16-May-13	\$ 953,000	\$ -	\$ 953,000	4.00%	\$ 1,402,468	1.750%	\$ 1,137,715	\$ 264,753
Reelsville Water Authority	29-May-13	\$ 2,865,000	\$ 250,000	\$ 3,115,000	4.00%	\$ 4,584,143	1.000%	\$ 3,175,298	\$ 1,408,846
Spiceland	11-Jun-13	\$ 450,000	\$ -	\$ 450,000	4.00%	\$ 662,236	2.000%	\$ 550,410	\$ 111,825
Whitestown	19-Jun-13	\$ 3,200,000	\$ 3,500,000	\$ 6,700,000	4.00%	\$ 9,859,955	2.000%	\$ 3,914,030	\$ 5,945,925
Bloomingsdale	28-Jun-13	\$ 371,000	\$ -	\$ 371,000	4.00%	\$ 545,977	2.250%	\$ 464,804	\$ 81,172
TOTAL		\$ 35,339,000	\$ 4,100,000	\$ 39,439,000					\$ 15,320,419

* P & I = Principal and Interest

Exhibit H
Expeditious and Timely Use of Funds

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

Sources, Uses and Available Balances in SRF Accounts

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2013 and will continue to be in perpetuity.

Drinking Water Purchase Account

Sources of Funds: Funds held in this account¹ come from proceeds of Program Bonds² issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2013 as well as loans anticipated to be closed in SFY 2014 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, 2013, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2014, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2013 is shown in the Use Schedule. Accordingly, none of the funds presently on deposit in this account are available for other SRF Loan Program purposes except to finance closed and committed loans related to qualified Proposed Projects.

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

² These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its predecessor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as State Match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as a portion of the not-yet-available FFY 2014 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

Drinking Water Participant Loan Principal Account

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

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

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

Drinking Water Participant Loan Interest Account

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

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

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

DRINKING WATER RESERVE³ contains the following accounts:

Drinking Water Reserve Earnings Account

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

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

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

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

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

Drinking Water Reserve Grant Account

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

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

Available Balance: The aggregate amount held in this account (as of July 1, 2013 and as anticipated in SFY 2014) is shown in the Use Schedule.⁸ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and treasury and/or agencies obligations.

Drinking Water Reserve Deficiency Account

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

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

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

⁶ State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2013, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.

⁷ Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$496.5 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 2014 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

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

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

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

Available Balance: No amounts were held in this account as of July 1, 2013 nor are any so anticipated in SFY 2014.

DRINKING WATER EQUITY⁹ contains the following accounts:

Drinking Water Equity Grant Account

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

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

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

¹⁰ Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2014 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2013.

¹¹ In addition to meeting any Excess Commitments as of July 1, 2013, 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, 2013, (b) PERs submitted and under review by the DWSRF as of July 1, 2013 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2014), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2013 and as anticipated in SFY 2014) is shown in the Use Schedule.¹² In furtherance of these purposes, the funds in this account are invested with certain short-term investments and State and Local Government Series (SLGS) securities.

Drinking Water Equity Earnings Account

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

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

Available Balance: The aggregate amount held in this account as of July 1, 2013 is shown in the Use Schedule.¹³

Additional Information Concerning Expected Uses of SRF Funds

Use of Available Balances to Meet Closed Loan Commitments. Under its existing practices, the Authority closes DWSRF loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF loan is closed. As of July 1, 2013, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2013, (b) PERs submitted and under review by the DWSRF as of July 1, 2013 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2014), 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 2014. 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 2014) in the event additional Guarantee Revenue Bonds could not to be issued.

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

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

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2014 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 2014 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, 2013, about \$23.6 million has been transferred to DWSRF. As of July 1, 2013, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately \$70.7 million of allowable transfers which includes 33% of the FFY 2013 grant. The full amount of any such potential transfers is banked.

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

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

Exhibit H-Schedule 1

	Account Balances* as of:	Future Deposits in SFY
	30-Jun-2013 (Actual)	
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 91,900,000	\$ -
Reserve Earnings Account	10,100,000	-
Reserve Deficiency Account	-	
Equity Grant Account	43,400,000	\$ 21,000,000
Equity Earnings Account	6,100,000	-
	<u>\$ 151,500,000</u>	<u>\$ 21,000,000</u>
Total Available Funds (A. and B. above)	<u>\$ 151,500,000</u>	<u>\$ 21,000,000</u>

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

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ -
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	5,800,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	<u>300,000</u>
PERs In-house (approved & under-review) Awaiting Loan Closing	70,400,000
Other Projects on new SFY's PPL, Requesting Loan Funding	<u>16,700,000</u>
1. Use: to cover Loan Demand***	<u>93,200,000</u>
2. Use: to cover Series Reserve Requirement	<u>107,800,000</u>
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<u>\$ 201,000,000</u>

Uses of Funds (1 & 2 above):	\$ 201,000,000
Less: Total Available Funds (A. and B. above)	172,500,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"	<u>\$ 28,500,000</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.

Exhibit I
SFY 2013 DWSRF Loan Program Quarterly Interest Rates¹

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (Median Household Income ² : under \$33,669)			
1 st Qtr SFY 2013	2.00%	2.00%	2.03%
2 nd Qtr SFY 2013	2.00%	2.00%	2.00%
3 rd Qtr SFY 2013	2.00%	2.00%	2.00%
4 th Qtr SFY 2013	2.00%	2.00%	2.00%
Tier II (Median Household Income: \$33,670 to \$41,566)			
1 st Qtr SFY 2013	2.00%	2.00%	2.28%
2 nd Qtr SFY 2013	2.00%	2.00%	2.02%
3 rd Qtr SFY 2013	2.00%	2.00%	2.00%
4 th Qtr SFY 2013	2.00%	2.00%	2.19%
Tier I (Median Household Income: over \$41,567)			
1 st Qtr SFY 2013	2.00%	2.03%	2.53%
2 nd Qtr SFY 2013	2.00%	2.00%	2.27%
3 rd Qtr SFY 2013	2.00%	2.00%	2.07%
4 th Qtr SFY 2013	2.00%	2.00%	2.44%

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

² Median Household Income reflected in the 2000 Census.

Exhibit J
Summary of DWSRF Transfers

Consistent with its Intended Use Plans and EPA Policy Statement (FRL-6884-7, 65 FR 199, 10/13/00, pg. 60940), the State is reporting on transfers between the CWSRF and the DWSRF. In its Intended Use Plans, the State retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2013, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2013 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 2013, 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 2013.



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

COMBINED FINANCIAL STATEMENTS

June 30, 2013 and 2012

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

CONTENTS

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

Independent Auditors' Report

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on the Financial Statements

We have audited the accompanying combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, which comprise the combined statements of net position as of June 30, 2013 and 2012, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2013 and 2012, 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, statements of revenues, expenses and changes in net position, and statements of cash flows information are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the basic combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2013, 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, Sogow & Miller, LLP

Indianapolis, Indiana
September 26, 2013

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, 2013

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview of Management's Discussion and Analysis (MD&A) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net position increased by \$52.4 million during the current fiscal year from \$1,165.9 million to \$1,218.3 million. Of this amount, \$45 million consists of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA). Included in that total is \$2 million in grants made available by the American Recovery and Reinvestment Act of 2009. 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 increased by \$135 million. The net increase in debt is the result of the issuance of \$293.9 million of new Series 2012B, Series 2012C, and Series 2013A bonds offset by the partial cash defeasance of the Series 2004B, Series 2004C, Series 2005A, and 2006A bonds, the partial defeasance of Series 2005A, 2006A, and 2006B bonds for a defeasance total of \$73 million and scheduled principal payments on outstanding debt totaling \$85.9 million.

The SRF Programs disbursed \$400.1 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan commitments can be found in Note 3 to the combined financial statements on page 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, 2013**

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 and liabilities, with the difference between the two 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 Report also contains other supplementary information in addition to the basic combined financial statements themselves.

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

In addition to the basic combined financial statements and accompanying notes, this report also presents combining schedules 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, 2013

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, assets exceeded liabilities by \$1,218.3 million at the close of the most recent fiscal year.

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

	2013	June 30, 2012	2011
Current assets	\$ 666,021	\$ 822,691	\$ 672,886
Noncurrent assets	<u>2,497,883</u>	<u>2,150,912</u>	<u>2,218,204</u>
Total Assets	<u>3,163,904</u>	<u>2,973,603</u>	<u>2,891,090</u>
Current liabilities	139,302	150,978	124,696
Long-term liabilities	<u>1,806,267</u>	<u>1,656,714</u>	<u>1,683,654</u>
Total Liabilities	<u>1,945,569</u>	<u>1,807,692</u>	<u>1,808,350</u>
Net Position			
Restricted	<u>1,218,335</u>	<u>1,165,911</u>	<u>1,082,740</u>
Total Net Position	<u>\$ 1,218,335</u>	<u>\$ 1,165,911</u>	<u>\$ 1,082,740</u>

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

In fiscal year 2013, participant needs were met with EPA grants including additional funding made available by the American Recovery and Reinvestment Act of 2009 (ARRA), new bond issuances, and funds on hand.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2013

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

	Years Ended June 30,		
	2013	2012	2011
Operating Revenues			
Interest-investments	\$ 27,274	\$ 56,123	\$ 18,862
Interest-participants	63,056	62,991	61,693
Other	<u>412</u>	<u>457</u>	<u>445</u>
Total operating revenues	<u>90,742</u>	<u>119,571</u>	<u>81,000</u>
Operating Expenses			
Interest	75,028	77,595	76,492
Amortization of deferred charges	1,411	1,230	1,238
Trustee fees	368	34	80
Other program and administrative	<u>3,151</u>	<u>2,629</u>	<u>4,397</u>
Total operating expenses	<u>79,958</u>	<u>81,488</u>	<u>82,207</u>
Operating Income	10,784	38,083	(1,207)
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	45,058	64,720	85,400
Loan forgiveness	<u>(3,418)</u>	<u>(19,632)</u>	<u>(43,872)</u>
Total nonoperating revenues	<u>41,640</u>	<u>45,088</u>	<u>41,528</u>
Increase in Net Position	52,424	83,171	40,321
Net Position:			
Beginning of Year	<u>1,165,911</u>	<u>1,082,740</u>	<u>1,042,419</u>
End of Year	<u>\$1,218,335</u>	<u>\$1,165,911</u>	<u>\$1,082,740</u>

The SRF Programs' net assets increased by \$52.4 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$45 million in capital contributions (grants) from the EPA for qualified wastewater and drinking water projects and related program purposes.
- Interest income on investments and loans exceeded operating expenses by \$10.8 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, 2013

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount and unamortized loss on refunding, was \$1.91 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)

	2013	2012	2011
Net Bond Indebtedness	\$ 1,906,614	\$ 1,771,564	\$ 1,771,362

During the current fiscal year, the SRF Programs' debt increased by \$135 million. The net increase in debt is the result of the issuance of \$293.9 million of new Series 2012B, Series 2012C, and Series 2013A bonds offset by the partial cash defeasance of the Series 2004B, Series 2004C, Series 2005A, and 2006A bonds, the partial defeasance of Series 2005A, 2006A, and 2006B bonds for a defeasance total of \$73 million and scheduled principal payments on outstanding debt totaling \$85.9 million.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 22-34 of this report.

REQUESTS OF INFORMATION

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

COMBINED FINANCIAL STATEMENTS

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and equivalents	\$ 493,861,893	\$ 639,104,724
Interest receivable	26,425,118	17,791,258
Due from EPA	40,474,294	43,261,669
Loans receivable, net	<u>105,260,264</u>	<u>122,533,621</u>
Total Current Assets	<u>666,021,569</u>	<u>822,691,272</u>
Noncurrent Assets:		
Investments	518,226,287	324,365,512
Loans receivable, net	1,969,812,523	1,817,985,847
Equipment, net	365,214	264,214
Deferred charges, net	<u>9,478,820</u>	<u>8,296,227</u>
Total Noncurrent Assets	<u>2,497,882,844</u>	<u>2,150,911,800</u>
Total Assets	<u>3,163,904,413</u>	<u>2,973,603,072</u>
LIABILITIES		
Current Liabilities:		
Interest payable	35,849,456	34,003,260
Accounts payable	277,035	295,096
Amount due to federal government	1,610,500	-
Bonds payable-current, net	<u>101,565,000</u>	<u>116,680,000</u>
Total Current Liabilities	<u>139,301,991</u>	<u>150,978,356</u>
Long-term Liabilities:		
Amount due to federal government	1,217,727	1,829,518
Bonds payable, net	<u>1,805,049,204</u>	<u>1,654,884,206</u>
Total Long-term Liabilities	<u>1,806,266,931</u>	<u>1,656,713,724</u>
Total Liabilities	<u>1,945,568,922</u>	<u>1,807,692,080</u>
NET POSITION		
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,218,335,491</u>	<u>\$ 1,165,910,992</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2013 and 2012

	2013	2012
OPERATING REVENUE		
Interest income-investments	\$ 27,273,918	\$ 56,122,555
Interest income-loan participants	63,056,024	62,990,925
Other	412,530	457,404
Total Operating Revenue	<u>90,742,472</u>	<u>119,570,884</u>
OPERATING EXPENSES		
Interest	75,028,394	77,595,325
Amortization of deferred charges	1,410,601	1,229,766
Trustee fees	367,612	34,253
Other program and administrative	3,151,680	2,629,278
Total Operating Expenses	<u>79,958,287</u>	<u>81,488,622</u>
OPERATING INCOME	10,784,185	38,082,262
NONOPERATING REVENUES AND (EXPENSES)		
Capital contributions	45,058,614	64,720,181
Loan forgiveness	(3,418,300)	(19,631,887)
Total Nonoperating Revenues	<u>41,640,314</u>	<u>45,088,294</u>
INCREASE IN NET POSITION	52,424,499	83,170,556
NET POSITION		
Beginning of Year	<u>1,165,910,992</u>	<u>1,082,740,436</u>
End of Year	<u>\$ 1,218,335,491</u>	<u>\$ 1,165,910,992</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (3,161,823)	\$ (1,897,718)
Administration fee	37,000	27,000
Net Cash Used by Operating Activities	<u>(3,124,823)</u>	<u>(1,870,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	265,575,279	183,962,882
Issuance of loans to participants	(400,128,598)	(212,457,140)
Change in investments	(193,860,775)	66,970,164
Interest received on loans and investments	81,696,082	121,313,682
Purchase of equipment	(101,000)	(219,624)
Net Cash Provided (Used) by Investing Activities	<u>(246,819,012)</u>	<u>159,569,964</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	349,126,533	365,555,159
Principal payments to reduce indebtedness including refunding	(214,076,535)	(365,352,915)
Payment of debt issuance costs, net of refunding	(2,593,194)	(1,312,474)
Change in amount due to federal government	998,709	(10,021)
Interest paid on debt	(73,182,198)	(78,357,999)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>60,273,315</u>	<u>(79,478,250)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	47,845,989	59,743,490
Issuance of forgivable loans to participants	(3,418,300)	(19,631,887)
Net Cash Provided by Capital Financing Activities	<u>44,427,689</u>	<u>40,111,603</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(145,242,831)	118,332,599
CASH AND EQUIVALENTS		
Beginning of Year	<u>639,104,724</u>	<u>520,772,125</u>
End of Year	<u>\$ 493,861,893</u>	<u>\$ 639,104,724</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 10,784,185	\$ 38,082,262
Adjustments to reconcile operating income to net cash used by operating activities:		
Interest income	(90,329,942)	(119,113,480)
Interest expense	75,028,394	77,595,325
Amortization of deferred charges	1,410,601	1,229,766
Changes in assets and liabilities:		
Accounts receivable	-	422,086
Accounts payable	(18,061)	(86,677)
Net Cash (Used) by Operating Activities	<u>\$ (3,124,823)</u>	<u>\$ (1,870,718)</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, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

The 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, 2013 and 2012

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, and 2013A Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 7 and are secured by a common trust estate supported in part by participant loan repayments.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

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, 2013 and 2012, fair value approximates cost. Changes in the fair value of investments are included in the combined statement 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 \$35,289,254 and \$128,474,833 at June 30, 2013 and 2012, respectively.

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

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

Subsequent Events: The Authority has evaluated the combined financial statements for subsequent events occurring through September 26, 2013, the date the combined financial statements were available to be issued.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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, 2013 and 2012 follows:

	<u>2013</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 721	\$ 742	\$ 1,463
Bank deposits	13,669,528	-	13,669,528
Money market funds	418,440,174	63,825,284	482,265,458
Government obligations	<u>394,874,205</u>	<u>121,277,526</u>	<u>516,151,731</u>
	<u>\$ 826,984,628</u>	<u>\$ 185,103,552</u>	<u>\$1,012,088,180</u>
	 <u>2012</u> 		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Cash	\$ 43,200	\$ 1	\$ 43,201
Money market funds	524,153,466	111,710,737	635,864,203
Guaranteed investment contracts	105,928,578	4,469,706	110,398,284
Government obligations	<u>150,863,740</u>	<u>66,300,808</u>	<u>217,164,548</u>
	<u>\$ 780,988,984</u>	<u>\$ 182,481,252</u>	<u>\$ 963,470,236</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2013, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Bank Deposits	\$ 13,670	\$ 750	\$ 12,920	\$ -	\$ -
Money market funds	418,440	418,440	-	-	-
Government obligations	<u>394,874</u>	<u>9,148</u>	<u>270,697</u>	<u>97,414</u>	<u>17,615</u>
	<u>\$ 826,984</u>	<u>\$ 428,338</u>	<u>\$ 283,617</u>	<u>\$ 97,414</u>	<u>\$ 17,615</u>

	Drinking Water				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Money market funds	\$ 63,825	\$ 63,825	\$ -	\$ -	\$ -
Government obligations	<u>121,278</u>	<u>1,697</u>	<u>86,940</u>	<u>23,895</u>	<u>8,746</u>
	<u>\$ 185,103</u>	<u>\$ 65,522</u>	<u>\$ 86,940</u>	<u>\$ 23,895</u>	<u>\$ 8,746</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, 2013:

	S&P	Fitch	Moody's	Fair Value
Bank deposits	AA+	AAA	Aaa	\$ 13,670
Money market funds	AAAm	unrated	Aaa-mf	272,140
	AAAm	AAAmmf	Aaa-mf	210,125
Government obligations	AA+	AAA	Aaa	<u>516,152</u>
Total Rated Investments				<u>\$ 1,012,087</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

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, 2013:

Federal Government Agency Debt	31%
Goldman Financial Square MM (FSMXX)	19%
U.S. Treasury	16%
JPMorgan Prime Mmkt Instt Fd 829	11%
Dreyfus Cash Management CI A Fd 288	10%
BlackRock MMF	6%

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

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, 2013 and 2012 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	Loans Receivable as of June 30, 2013	Loans Receivable as of June 30, 2012	Actual Loan Available Less Principal Repayments as of June 30, 2013
Wastewater Fund	\$1,697,961,974	\$1,584,876,781	\$1,816,113,447
Drinking Water Fund	<u>377,110,813</u>	<u>355,642,687</u>	<u>396,242,637</u>
Total All Loans	<u>\$2,075,072,787</u>	<u>\$1,940,519,468</u>	<u>\$2,212,356,084</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 \$105,260,264 at June 30, 2013 and \$122,533,621 at June 30, 2012.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 3 - LOANS RECEIVABLE (CONTINUED)

As of June 30, 2013, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

Name of Participant	Loans Receivable as of June 30, 2013	Loans Receivable as of June 30, 2012	Actual Loan Available Less Principal Repayments as of June 30, 2013
Wastewater Fund			
City of Indianapolis	\$ 291,260,500	\$ 335,702,000	\$ 291,260,500
City of Terre Haute	153,037,938	12,478,738	153,125,000
City of Fort Wayne	95,055,325	87,835,320	103,480,015
City of Evansville	93,376,719	88,023,060	95,276,000
City of Hammond	84,265,000	34,455,000	84,265,000
City of Columbus	74,045,000	77,911,000	74,615,000
City of Jeffersonville	64,138,487	33,740,843	68,678,584
Drinking Water Fund			
City of Fort Wayne	\$ 50,843,000	\$ 53,290,000	\$ 50,843,000
City of East Chicago	38,120,000	40,045,000	38,120,000
City of Bloomington	21,341,000	22,281,000	21,341,000
Town of Bargersville	18,553,910	12,655,184	18,990,000
City of Greensburg	14,040,450	14,345,900	14,040,450
City of Mishawaka	12,765,000	13,980,000	12,765,000
City of Lake Station	10,098,756	-	11,871,000
City of Huntington	10,024,000	10,205,000	10,024,000
City of Martinsville	8,489,000	8,506,424	8,489,000
Town of New Chicago	6,000,000	-	6,000,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 4 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2013:

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

Interest receivable at June 30, 2012:

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

NOTE 5 - DEFERRED CHARGES, NET

Deferred charges represent bond issuance costs which are being amortized using the interest method over the life of the related bond issue. Accumulated amortization was \$16,565,288 and \$14,906,982 at June 30, 2013 and 2012, respectively. The net unamortized deferred charges were \$9,478,820 and \$8,296,227 at June 30, 2013 and 2012, respectively. At June 30, 2013, future amortization of deferred charges is as follows:

June 30, 2014	\$ 1,388,415
June 30, 2015	1,242,079
June 30, 2016	1,099,250
June 30, 2017	967,844
June 30, 2018	837,071
Thereafter	<u>3,944,161</u>
	<u>\$ 9,478,820</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

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

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. The estimated liabilities, which were calculated as of January 31, 2013, 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, 2013, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2004B		
Wastewater Fund	\$ 1,328,439	January 31, 2014
Drinking Water Fund	282,061	January 31, 2014
2005A		
Wastewater Fund	386,815	January 31, 2015
Drinking Water Fund	122,131	January 31, 2015
2006B		
Wastewater Fund	590,911	January 31, 2016
Drinking Water Fund	<u>117,870</u>	January 31, 2016
	<u>\$ 2,828,227</u>	

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE

Bonds payable at June 30, 2013 and 2012 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2013	2012
<u>Wastewater Fund:</u>		
Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2004B, 2004C, 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2015 to February 1, 2027 at interest rates ranging from 3.00% to 5.00%. Of this, \$32,210,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 32,210,000	\$ -
Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2020 to February 1, 2032 at interest rates ranging from 3.00% to 5.00%. Of this, \$99,415,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program	99,415,000	-
Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$122,110,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	117,805,000	-
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, \$126,070,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	125,130,000	126,070,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2011A Bonds issued October 26, 2011 for the aggregate amount of \$191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, \$140,515,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 57,215,000	\$ 78,245,000
Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B, and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, \$57,370,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	57,370,000	57,370,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$80,000,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	68,740,000	72,090,000
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$246,735,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	245,080,000	245,630,000
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$121,235,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	120,955,000	121,235,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 60,795,000	\$ 62,375,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$61,255,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	61,255,000	61,255,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$7,680,000 was refunded.	89,085,000	101,710,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$24,945,000 was refunded and \$3,265,000 was cash defeased.	119,635,000	155,775,000
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$197,950,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$13,100,000 was cash defeased.	148,495,000	173,015,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
<p>Series 2004C Bonds issued June 23, 2004 for the aggregate amount of \$200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%. In February 2010, \$31,640,000 was refunded. In February 2012, \$82,335,000 was refunded and in February 2013 \$6,650,000 was cash defeased.</p>	\$ 30,210,000	\$ 44,105,000
<p>Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$167,480,000 was the final allocation to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$13,549,109 was refunded. In October 2010, \$6,528,667 was refunded. In February 2012, \$38,610,798 was refunded and in February 2013, \$4,260,000 was cash defeased.</p>	57,059,785	79,638,618
<p>Series 2002B Bonds issued December 23, 2002 for the aggregate amount of \$66,695,000, at interest rates ranging from 4.00% to 5.375%. Of this amount, \$52,422,270 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$3,775,000 was refunded. In February 2010, \$32,063,115 was refunded. In October 2010, \$6,705,000 was refunded and in June 2012, \$2,928,945 was cash defeased. The bonds were paid in full in 2013.</p>	-	6,949,943
<p>Series 2002A Refunding Bonds issued December 23, 2002 for the aggregate amount of \$75,070,000 to refund the callable portion of the Series 1993A Bonds, at interest rates ranging from 1.86% to 4.84%. The bonds were paid in full in 2013.</p>	-	1,400,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, at interest rates ranging from 3.5% to 5.5%. Of this amount, \$320,104,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,885,000 was refunded. In February 2010, \$157,619,688 was refunded. In October 2010, \$45,540,603 was refunded. In February 2012, \$13,641,047 was refunded and in June 2012, \$25,120,839 was cash defeased. The bonds were paid in full in 2013.	<u>\$ -</u>	<u>\$ 15,316,977</u>
Subtotal-Wastewater	<u>\$1,490,454,785</u>	<u>\$1,402,180,538</u>
 <u>Drinking Water Fund:</u>		
Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2029 at interest rates ranging from 3.00% to 5.00%. Of this, \$12,880,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 12,880,000	\$ -
Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2021 to February 1, 2032 at interest rates ranging from 4.00% to 5.00%. Of this, \$10,180,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	10,180,000	-
Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$17,145,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	17,005,000	-

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from August 1, 2013 to February 1, 2022 at interest rates ranging from 4.75% to 5.375%. Of this, \$11,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 11,720,000	\$ 11,875,000
Series 2011A Bonds issued October 26, 2011 for the aggregate amount of \$191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, \$50,870,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	49,870,000	49,870,000
Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at 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.	7,555,000	7,555,000
Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$20,000,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	17,200,000	17,200,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B and 2004C bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$42,235,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	\$ 42,015,000	\$ 42,090,000
Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$17,755,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	15,775,000	17,085,000
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of \$94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, \$28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	23,985,000	25,170,000
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of \$71,230,000, maturing from February 1, 2008 to February 1, 2027 at interest rates ranging from 4.00% to 5.00%. Of this, \$9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	8,565,000	8,810,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of \$142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, \$30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$2,745,000 was refunded.	17,770,000	22,320,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$4,405,000 was refunded.	\$ 8,155,000	\$ 13,135,000
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of \$277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, \$77,535,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$5,920,000 was refunded.	46,885,000	53,595,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$2,310,891 was refunded. In October 2010, \$1,201,333 was refunded. In February 2012, \$7,669,202 was refunded.	12,115,215	15,671,382
Series 2002B Bonds issued December 23, 2004 for the aggregate amount of \$66,695,000, at interest rates ranging from 4.00% to 5.375%. Of this amount, \$14,272,730 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$2,165,000 was refunded. In February 2010, \$5,246,885 was refunded and in June 2012, \$4,956,055 was cash defeased. The bonds were paid in full in 2013.	-	1,905,057

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2013	2012
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of \$400,000,000, at interest rates ranging from 3.50% to 5.50%. Of this amount, \$79,896,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, \$16,600,000 was refunded. In February 2010, \$22,685,312 was refunded. In October 2010, \$6,559,397 was refunded. In February 2012, \$4,073,593 was refunded and in June 2012, \$10,459,161 was cash defeased. The bonds were paid in full in 2013.	<u>\$ -</u>	<u>\$ 3,823,023</u>
Subtotal-Drinking Water	<u>301,675,215</u>	<u>290,104,462</u>
Total Principal	1,792,130,000	1,692,285,000
Loss on refunding	(34,426,617)	(34,007,882)
Net premium on bonds payable	<u>148,910,821</u>	<u>113,287,088</u>
Total Bonds Payable	1,906,614,204	1,771,564,206
Less: Current portion	<u>101,565,000</u>	<u>116,680,000</u>
Long-term Portion	<u><u>\$1,805,049,204</u></u>	<u><u>\$1,654,884,206</u></u>

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

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

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

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

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 \$256,815,000 and \$500,520,000 as of June 30, 2013 and 2012, respectively.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

NOTE 7 - BONDS PAYABLE (CONTINUED)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2013, are as follows:

	Principal			Interest			Debt Service Total
	Wastewater Fund	Drinking Water Fund	Total	Wastewater Fund	Drinking Water Fund	Total	
2014	\$ 86,097,192	\$ 15,467,808	\$ 101,565,000	\$ 71,772,086	\$ 14,397,920	\$ 86,170,006	\$ 187,735,006
2015	99,992,319	17,797,681	117,790,000	67,884,792	13,752,127	81,636,919	199,426,919
2016	92,680,000	19,695,000	112,375,000	63,267,376	12,951,293	76,218,669	188,593,669
2017	92,326,233	20,683,767	113,010,000	59,024,938	12,032,393	71,057,331	184,067,331
2018	94,348,721	22,421,279	116,770,000	54,469,952	10,997,529	65,467,481	182,237,481
2019-2023	483,100,320	112,719,680	595,820,000	200,353,604	38,112,615	238,466,219	834,286,219
2024-2028	387,200,000	63,990,000	451,190,000	90,728,113	16,248,237	106,976,350	558,166,350
2029-2032	<u>154,710,000</u>	<u>28,900,000</u>	<u>183,610,000</u>	<u>17,372,906</u>	<u>3,104,000</u>	<u>20,476,906</u>	<u>204,086,906</u>
	1,490,454,785	301,675,215	1,792,130,000	624,873,767	121,596,114	746,469,881	2,538,599,881
Loss on Refunding	(29,584,917)	(4,841,700)	(34,426,617)	-	-	-	(34,426,617)
Premium	<u>125,673,016</u>	<u>23,237,805</u>	<u>148,910,821</u>	-	-	-	<u>148,910,821</u>
Total	<u>\$1,586,542,884</u>	<u>\$320,071,320</u>	<u>\$1,906,614,204</u>	<u>\$624,873,767</u>	<u>\$121,596,114</u>	<u>\$746,469,881</u>	<u>\$2,653,084,085</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 7 - BONDS PAYABLE (CONTINUED)

The following is a summary of total debt service:

	Interest Rates Ranges	Maturity Range	Annual Payment Range	Principal
Wastewater Fund	3.00% - 5.50%	2014-2032	\$ 28,285,000 - \$103,440,320	\$1,490,454,785
Drinking Water Fund	2.00% - 5.50%	2014-2032	3,800,000 - 25,450,000	<u>301,675,215</u>
Combined Programs	2.00% - 5.50%	2014-2032	32,085,000 - 126,720,000	1,792,130,000
Less: Current Portion				<u>(101,565,000)</u>
Total Long-term Portion				<u>\$1,690,565,000</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2013 and 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2013:						
Amount due to federal government	\$ 1,829,518	\$ 998,709	\$ -	\$ 2,828,227	\$ 1,610,500	\$ 1,217,727
Bonds payable	1,692,285,000	293,940,000	(194,095,000)	1,792,130,000	101,565,000	1,690,565,000
Loss on refunding	(34,007,882)	(8,036,763)	7,618,028	(34,426,617)	-	(34,426,617)
Net premium on bonds payable	<u>113,287,088</u>	<u>55,186,533</u>	<u>(19,562,800)</u>	<u>148,910,821</u>	<u>-</u>	<u>148,910,821</u>
	<u>\$1,773,393,724</u>	<u>\$342,088,479</u>	<u>\$(206,039,772)</u>	<u>\$1,909,442,431</u>	<u>\$103,175,500</u>	<u>\$1,806,266,931</u>
June 30, 2012:						
Amount due to federal government	\$ 1,839,539	\$ 1,292,884	\$ (1,302,905)	\$ 1,829,518	\$ -	\$ 1,829,518
Bonds payable	1,704,265,000	329,330,000	(341,310,000)	1,692,285,000	116,680,000	1,575,605,000
Loss on refunding	(27,743,968)	(11,317,502)	5,053,588	(34,007,882)	-	(34,007,882)
Net premium on bonds payable	<u>94,840,930</u>	<u>36,225,159</u>	<u>(17,779,001)</u>	<u>113,287,088</u>	<u>-</u>	<u>113,287,088</u>
	<u>\$1,773,201,501</u>	<u>\$355,530,541</u>	<u>\$(355,338,318)</u>	<u>\$1,773,393,724</u>	<u>\$116,680,000</u>	<u>\$1,656,713,724</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012**

NOTE 9 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its 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, 2013, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2013 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 2013, to date, the following transfers were made:

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

NOTE 10 - PROGRAM REVENUE

For the years ended June 30, 2013 and 2012, program revenues consisted of the following:

	2013	2012
Interest and other income	\$ 90,742,472	\$119,570,884
Capital grants and contributions	<u>45,058,614</u>	<u>64,720,181</u>
	<u>\$135,801,086</u>	<u>\$184,291,065</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, 2013 and 2012

	Wastewater Program		Drinking Water Program		Combined	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current Assets:						
Cash and equivalents	\$ 428,339,178	\$ 526,566,124	\$ 65,522,715	\$ 112,538,600	\$ 493,861,893	\$ 639,104,724
Interest receivable-investments	2,204,206	3,064,012	216,124	328,034	2,420,330	3,392,046
Interest receivable-loans	20,276,288	12,782,487	3,728,500	1,616,725	24,004,788	14,399,212
Due from EPA	29,976,000	31,261,000	10,498,294	12,000,669	40,474,294	43,261,669
Loans receivable, net	84,709,996	106,972,953	20,550,268	15,560,668	105,260,264	122,533,621
Total Current Assets	<u>565,505,668</u>	<u>680,646,576</u>	<u>100,515,901</u>	<u>142,044,696</u>	<u>666,021,569</u>	<u>822,691,272</u>
Noncurrent Assets:						
Investments	398,645,450	254,422,860	119,580,837	69,942,652	518,226,287	324,365,512
Loans receivable, net	1,613,251,978	1,477,903,828	356,560,545	340,082,019	1,969,812,523	1,817,985,847
Equipment, net	294,464	202,047	70,750	62,167	365,214	264,214
Deferred charges, net	7,874,549	6,834,973	1,604,271	1,461,254	9,478,820	8,296,227
Total Noncurrent Assets	<u>2,020,066,441</u>	<u>1,739,363,708</u>	<u>477,816,403</u>	<u>411,548,092</u>	<u>2,497,882,844</u>	<u>2,150,911,800</u>
Total Assets	<u>2,585,572,109</u>	<u>2,420,010,284</u>	<u>578,332,304</u>	<u>553,592,788</u>	<u>3,163,904,413</u>	<u>2,973,603,072</u>
LIABILITIES						
Current Liabilities:						
Interest payable	29,865,529	28,188,900	5,983,927	5,814,360	35,849,456	34,003,260
Accounts payable	262,900	264,430	14,135	30,666	277,035	295,096
Amount due to federal government	1,328,439	-	282,061	-	1,610,500	-
Bonds payable-current, net	86,097,192	101,255,753	15,467,808	15,424,247	101,565,000	116,680,000
Total Current Liabilities	<u>117,554,060</u>	<u>129,709,083</u>	<u>21,747,931</u>	<u>21,269,273</u>	<u>139,301,991</u>	<u>150,978,356</u>
Long-term Liabilities:						
Amount due to federal government	977,726	1,518,767	240,001	310,751	1,217,727	1,829,518
Bonds payable, net	1,500,445,692	1,365,617,910	304,603,512	289,266,296	1,805,049,204	1,654,884,206
Total Long-term Liabilities	<u>1,501,423,418</u>	<u>1,367,136,677</u>	<u>304,843,513</u>	<u>289,577,047</u>	<u>1,806,266,931</u>	<u>1,656,713,724</u>
Total Liabilities	<u>1,618,977,478</u>	<u>1,496,845,760</u>	<u>326,591,444</u>	<u>310,846,320</u>	<u>1,945,568,922</u>	<u>1,807,692,080</u>
NET POSITION						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 966,594,631</u>	<u>\$ 923,164,524</u>	<u>\$ 251,740,860</u>	<u>\$ 242,746,468</u>	<u>\$ 1,218,335,491</u>	<u>\$ 1,165,910,992</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, 2013 and 2012

	Wastewater Program		Drinking Water Program		Combined	
	2013	2012	2013	2012	2013	2012
OPERATING REVENUE						
Interest income-investments	\$ 27,272,324	\$ 42,055,531	\$ 1,594	\$ 14,067,024	\$ 27,273,918	\$ 56,122,555
Interest income-loan participants	51,797,355	52,116,174	11,258,669	10,874,751	63,056,024	62,990,925
Administration and premium fees	24,000	18,000	13,000	9,000	37,000	27,000
Other	-	-	375,530	430,404	375,530	430,404
Total Operating Revenue	<u>79,093,679</u>	<u>94,189,705</u>	<u>11,648,793</u>	<u>25,381,179</u>	<u>90,742,472</u>	<u>119,570,884</u>
OPERATING EXPENSES						
Interest	62,683,257	64,602,379	12,345,137	12,992,946	75,028,394	77,595,325
Amortization of deferred charges	1,172,851	1,015,824	237,750	213,942	1,410,601	1,229,766
Trustee fees	362,402	34,253	5,210	-	367,612	34,253
Other program and administrative	2,589,217	2,132,858	562,463	496,420	3,151,680	2,629,278
Total Operating Expenses	<u>66,807,727</u>	<u>67,785,314</u>	<u>13,150,560</u>	<u>13,703,308</u>	<u>79,958,287</u>	<u>81,488,622</u>
OPERATING INCOME (LOSS)	12,285,952	26,404,391	(1,501,767)	11,677,871	10,784,185	38,082,262
NONOPERATING REVENUES AND (EXPENSES)						
Capital Contributions	34,435,304	45,939,888	10,623,310	18,780,293	45,058,614	64,720,181
Loan Forgiveness	(3,291,149)	(13,067,575)	(127,151)	(6,564,312)	(3,418,300)	(19,631,887)
Total Nonoperating Revenues and (Expenses)	<u>31,144,155</u>	<u>32,872,313</u>	<u>10,496,159</u>	<u>12,215,981</u>	<u>41,640,314</u>	<u>45,088,294</u>
INCREASE IN NET POSITION	43,430,107	59,276,704	8,994,392	23,893,852	52,424,499	83,170,556
NET POSITION						
Beginning of Year	<u>923,164,524</u>	<u>863,887,820</u>	<u>242,746,468</u>	<u>218,852,616</u>	<u>1,165,910,992</u>	<u>1,082,740,436</u>
End of Year	<u>\$ 966,594,631</u>	<u>\$ 923,164,524</u>	<u>\$ 251,740,860</u>	<u>\$ 242,746,468</u>	<u>\$ 1,218,335,491</u>	<u>\$ 1,165,910,992</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2013 and 2012

	Waste water Program		Drinking Water Program		Combined	
	2013	2012	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (2,953,149)	\$ (1,838,981)	\$ (208,674)	\$ (58,737)	\$ (3,161,823)	\$ (1,897,718)
Administration fee	24,000	18,000	13,000	9,000	37,000	27,000
Net Cash Providing (Used) by Operating Activities	<u>(2,929,149)</u>	<u>(1,820,981)</u>	<u>(195,674)</u>	<u>(49,737)</u>	<u>(3,124,823)</u>	<u>(1,870,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	246,086,549	158,031,390	19,488,730	25,931,492	265,575,279	183,962,882
Issuance of loans to participants	(359,171,742)	(144,618,868)	(40,956,856)	(67,838,272)	(400,128,598)	(212,457,140)
Change in investments	(144,222,590)	45,752,515	(49,638,185)	21,217,649	(193,860,775)	66,970,164
Interest received on loans and investments	72,435,684	96,036,265	9,260,398	25,277,417	81,696,082	121,313,682
Purchase of equipment	(92,417)	(171,624)	(8,583)	(48,000)	(101,000)	(219,624)
Net Cash Provided (Used) by Investing Activities	<u>(184,964,516)</u>	<u>155,029,678</u>	<u>(61,854,496)</u>	<u>4,540,286</u>	<u>(246,819,012)</u>	<u>159,569,964</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	301,398,041	296,434,400	47,728,492	69,120,759	349,126,533	365,555,159
Principal payments to reduce indebtedness including refunding	(181,728,820)	(320,545,803)	(32,347,715)	(44,807,112)	(214,076,535)	(365,352,915)
Payment of debt issuance costs, net of refunding	(2,212,427)	(926,536)	(380,767)	(385,938)	(2,593,194)	(1,312,474)
Change in amount due to federal government	787,398	(64,907)	211,311	54,886	998,709	(10,021)
Interest paid on debt	(61,006,628)	(65,699,501)	(12,175,570)	(12,658,498)	(73,182,198)	(78,357,999)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>57,237,564</u>	<u>(90,802,347)</u>	<u>3,035,751</u>	<u>11,324,097</u>	<u>60,273,315</u>	<u>(79,478,250)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital contributions (EPA Grants)	35,720,304	42,227,571	12,125,685	17,515,919	47,845,989	59,743,490
Issuance of forgivable loans to participants	(3,291,149)	(13,067,575)	(127,151)	(6,564,312)	(3,418,300)	(19,631,887)
Net Cash Provided by Capital Financing Activities	<u>32,429,155</u>	<u>29,159,996</u>	<u>11,998,534</u>	<u>10,951,607</u>	<u>44,427,689</u>	<u>40,111,603</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(98,226,946)	91,566,346	(47,015,885)	26,766,253	(145,242,831)	118,332,599
CASH AND EQUIVALENTS						
Beginning of Year	526,566,124	434,999,778	112,538,600	85,772,347	639,104,724	520,772,125
End of Year	<u>\$ 428,339,178</u>	<u>\$ 526,566,124</u>	<u>\$ 65,522,715</u>	<u>\$ 112,538,600</u>	<u>\$ 493,861,893</u>	<u>\$ 639,104,724</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 12,285,952	\$ 26,404,391	\$ (1,501,767)	\$ 11,677,871	\$ 10,784,185	\$ 38,082,262
Adjustments to reconcile operating income (loss) to net cash used by operating activities:						
Interest income	(79,069,679)	(94,171,705)	(11,260,263)	(24,941,775)	(90,329,942)	(119,113,480)
Interest expense	62,683,257	64,602,379	12,345,137	12,992,946	75,028,394	77,595,325
Amortization of deferred charges	1,172,851	1,015,824	237,750	213,942	1,410,601	1,229,766
Changes in assets and liabilities:						
Accounts receivable	-	422,086	-	-	-	422,086
Accounts payable	(1,530)	(93,956)	(16,531)	7,279	(18,061)	(86,677)
Net Cash Used by Operating Activities	<u>\$ (2,929,149)</u>	<u>\$ (1,820,981)</u>	<u>\$ (195,674)</u>	<u>\$ (49,737)</u>	<u>\$ (3,124,823)</u>	<u>\$ (1,870,718)</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, 2013

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

CONTENTS

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

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Financing Authority, which comprise the combined statement of net position as of June 30, 2013, and the 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 26, 2013.

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 its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sappan & Miller, LLP

Indianapolis, Indiana
September 26, 2013

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS 18000110-0	\$ 49,104,000	\$ 515,729
	66.458	CS 18000111-0	35,588,000	54,695
	66.458	CS 18000112-0	34,061,000	1,965,000
	66.458	CS 18000113-0	32,176,000	29,976,000
				32,511,424
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	2W-00E73001	94,447,500	1,923,880 *
				34,435,304
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS98548610-0	22,185,240	84,229
	66.468	FS98548610-0	452,760	27,839
	66.468	FS98548611-0	15,394,820	979
	66.468	FS98548611-0	314,180	314,180
	66.468	FS98548613-0	13,484,160	10,484,160
	66.468	FS98548613-0	561,840	14,134
				10,925,521
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	2F-00E72901	27,212,000	41,942 *
				10,967,463
				\$ 45,402,767

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

See accompanying notes to schedule of expenditures of federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$32,511,424
ARRA-Capitalization Grants for Clean Water State Revolving Funds	66.458	1,923,880
Capitalization Grants for Drinking Water State Revolving Funds	66.468	10,569,368
ARRA-Capitalization Grants for Drinking Water State Revolving Funds	66.468	41,942

Loans forgiven during fiscal year 2013 and included on the Schedule totaled \$3,418,300.

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on Compliance for Each Major Federal Program

We have audited the State Revolving Fund Loan Programs' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State Revolving Fund Loan Programs' major federal programs for the year ended June 30, 2013. The State Revolving Fund Loan Programs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State Revolving Fund Loan Programs' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Loan Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State Revolving Fund Loan Programs' compliance.

Opinion on Each Major Federal Program

In our opinion, the State Revolving Fund Loan Program 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 its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the State Revolving Fund Loan Program 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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, 2013, and have issued our report thereon dated September 26, 2013, 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 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, Sappan & Miller, LLP

Indianapolis, Indiana
September 26, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

SECTION I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number	Agency	Title
66.458	U.S. Environmental Protection Agency	Capitalization Grants for Clean Water State Revolving Funds
66.458	U.S. Environmental Protection Agency	ARRA-Capitalization Grants for Clean Water State Revolving Funds
66.468	U.S Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds
66.468	U.S Environmental Protection Agency	ARRA-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, 2013**

SECTION I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$1,362,083
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



Drinking Water Projects Closed State Fiscal Year 2013

● **Drinking Water
2013 Projects**
\$39.4 Million
14 Loans

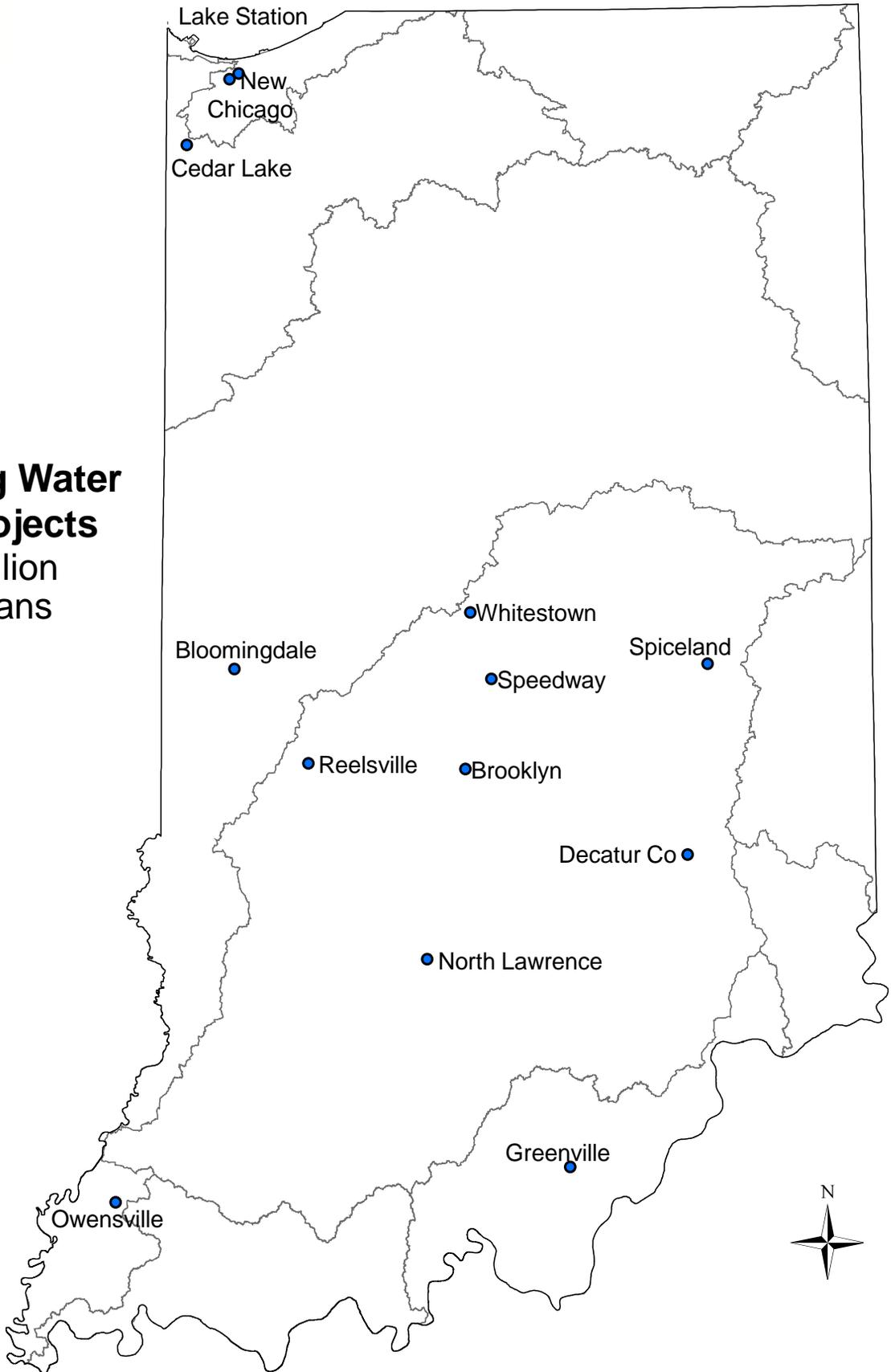
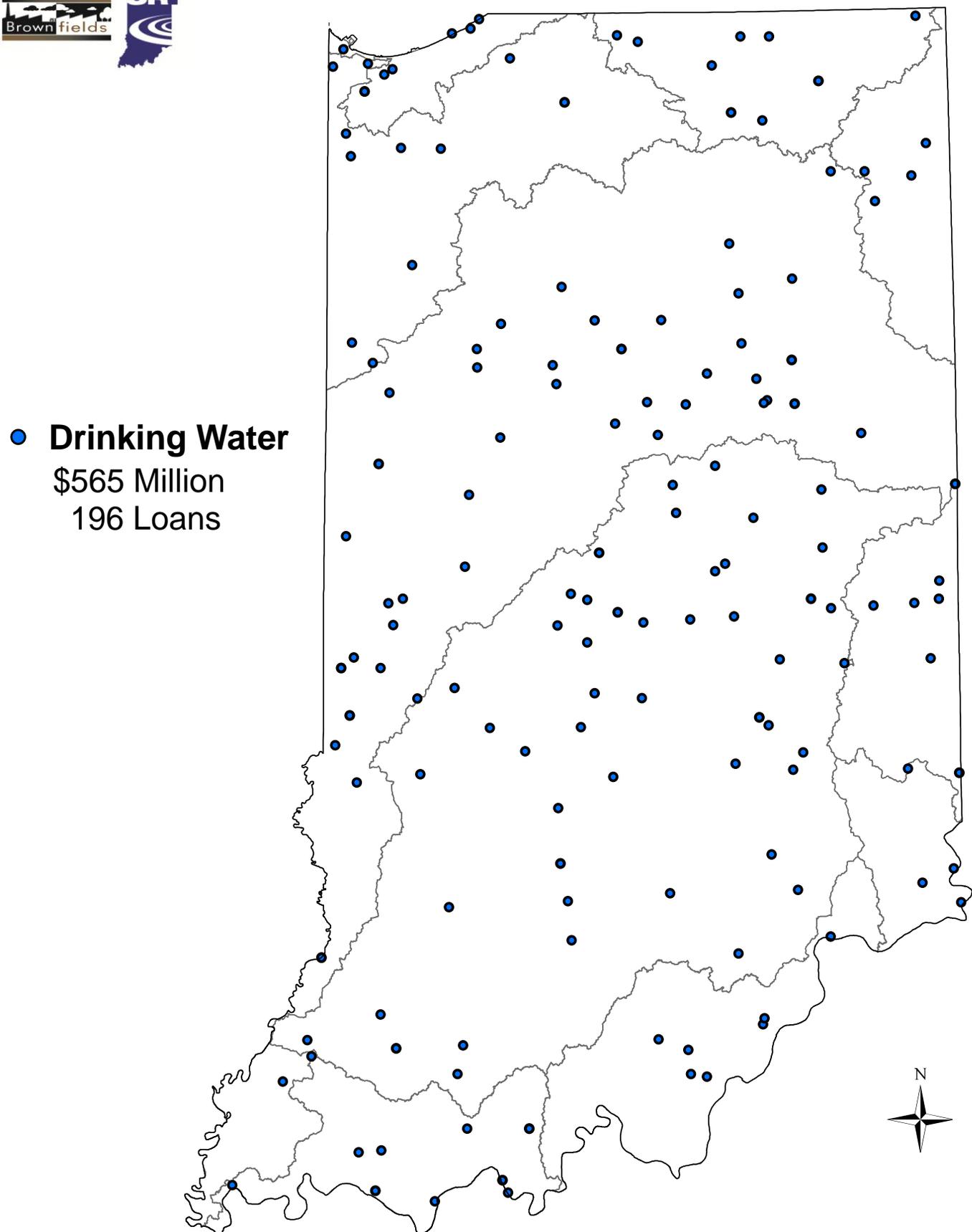




Exhibit N

Indiana Finance Authority State Revolving Fund Loan Programs

All Drinking Water Projects Closed Since 1999



● **Drinking Water**
\$565 Million
196 Loans



Indiana DWSRF Loan Program
Exhibit O - Summary of Set-Aside Funds in SFY 2013

Capitalization Grant Year	Set-Aside	Current Award Amount	Balance on 7/1/2012	ASAP Activity Date	Activity Amount	Description	Balance on 6/30/2013
2010	Administrative	\$ 452,760.00	\$ 58,507.99	12/28/2012	\$ (58,507.99)	Salary and fringe	\$ -
2011	Administrative	\$ 314,180.00	\$ 314,180.00	12/28/2012	\$ (148,138.89)	Salary and fringe	
				3/28/2013	\$ (86,977.04)	Salary and fringe	
				6/27/2013	\$ (79,064.07)	Salary and fringe	\$ -
2012	No Set-Aside Taken	\$ -	\$ -				\$ -