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December 29, 2009

Jennifer M. Alvey, Public Finance Director
Indiana Finance Authority
One North Capitol, Suite 900
Indianapolis, IN 46204

Dear Ms. Alvey:

We have received the audit report of the Indiana Finance Authority (IFA) prepared by Katz, Sapper, & Miller, LLP, Independent Public Accountants, for the period July 1, 2008 to June 30, 2009. Per the auditors' opinion, the audit was conducted in accordance with auditing standards generally accepted in the United States of America and the financial statements included in the report present fairly the financial condition of the IFA as of June 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a public record.

STATE BOARD OF ACCOUNTS

INDIANA FINANCE AUTHORITY
ANNUAL FINANCIAL STATEMENTS
June 30, 2009

**INDIANA FINANCE AUTHORITY
FINANCIAL STATEMENTS
June 30, 2009**

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REPORT OF INDEPENDENT AUDITORS

Members of the Indiana Finance Authority

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Finance Authority (the "IFA") as of and for the year ended June 30, 2009, which collectively comprise the IFA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the IFA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the IFA as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

(Continued)

The accompanying required supplementary information, such as management's discussion and analysis on pages 3 through 16, budgetary comparison information on pages 80 through 81, and Indiana Toll Road infrastructure condition rating information on page 82 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying segment reporting schedules are presented for purposes of additional analysis of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report October 13, 2009, on our consideration of the IFA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Katz, Anger & Miller, LLP

Indianapolis, Indiana
October 13, 2009

PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

This section of the Indiana Finance Authority (the "IFA") financial report provides a discussion and analysis of the financial performance during the year ended June 30, 2009. Please read it in conjunction with the Report of Independent Auditors at the beginning of this report and the financial statements, which follow this section.

This MD&A is an opportunity for management to make information concerning the IFA meaningful and understandable to IFA's constituents, including Indiana's citizens and their representatives and the investors who buy and sell the IFA's bonds. In addition to describing the IFA and its work, this MD&A briefly analyzes, discusses or presents:

- Basic financial statements
- Condensed financial information
- Overall financial position and results of operations
- Significant transactions within individual funds
- Significant capital assets and long-term debt activity
- Currently known facts

Background: Established on May 15, 2005, the IFA combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund. Effective July 1, 2005, all records, money, and other property held by the Auditor of State with respect to the Supplemental Drinking Water and Wastewater Assistance Program transferred to the IFA as the successor entity. On July 1, 2007, the duties and responsibilities of the Indiana Health and Education Facility Finance Authority were transferred to the IFA, and the responsibilities of the following programs were transferred from the IFA to the Indiana Economic Development Corporation: Guaranty Fund, Capital Access Program Fund, Business Development Loan Fund and Rural & Agriculture Development Fund.

The IFA is a body both corporate and politic, and though separate from the State of Indiana (the "State"), the exercise by the IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State. These leases do not constitute State debt. Except as described elsewhere in this MD&A, lease rentals are payable solely from appropriations made by the General Assembly.

The IFA finances and refines state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. The IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by issuing tax-exempt financing for industrial development projects, rural development projects, health care facilities, and educational facility projects.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

The IFA's revenue bonds and notes are special and limited obligations of the IFA, payable from lease rental revenue, bond or note proceeds and investment income. The IFA's revenue bonds are not general obligations of the IFA nor are they State debt within the meaning of any constitutional provision or limitation. The IFA cannot compel the General Assembly to make appropriations to pay lease rentals.

Financial Highlights: Management believes an important indicator of the IFA's financial health is whether or not the IFA receives sufficient lease rental revenue to pay debt service on the IFA's revenue bonds and meet its other obligations when due. In fiscal year 2009 and prior fiscal years since the IFA and its predecessor entities were established, the IFA received sufficient revenue to pay its debts and meet its other obligations.

To note some major accomplishments in fiscal year 2009, the IFA:

- paid \$424 million of principal and interest on long-term bonds
- loaned \$169.8 million to Indiana communities to fund drinking water and waste water infrastructure projects
- refinanced \$235 million of State Office Building Commission bonds resulting in present value savings of \$5.0 million or 2.1% of the refunded bonds
- issued \$329 million of Lease Appropriation Bonds to fund the Convention Center Expansion Project
- issued \$55 million of Lease Appropriation Bonds to complete the Stadium Project

Management understands that the IFA's revenue and net assets may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new revenue bond and note issues, and construction activities.

Although the IFA reports through a number of enterprise funds, the IFA is not a profit making enterprise. The IFA exists to benefit the State through its ability to finance and refinance important State infrastructure needs, and not to grow revenue and net assets over time.

BASIC FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by the Governmental Accounting Standards Board ("GASB") that present different financial views of the IFA:

- A. The first two statements are government wide financial statements that provide both long-term and short-term information about the IFA's overall financial status.
- B. The remaining statements are fund financial statements that focus on individual parts of the IFA, reporting the IFA's operation in more detail than the government wide statements.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

The financial statements also include notes that explain some of the information in the financial statements and provide data that are more detailed. Please note the breakdown of the statements is required by GASB and for audited financial statement reporting only.

A. **Government Wide Financial Statements** report information about the IFA as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the IFA's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Net assets, the difference between the IFA's assets and liabilities, are one way to measure the IFA's financial position. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the IFA is improving or deteriorating. The government wide financial statements of the IFA are divided into two categories:

1. **Governmental Activities** generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are reported in governmental funds or internal service funds. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Stadium and Convention Center Financing, and State Office Building Commission.

Governmental Activities reported under governmental funds include the Operating Account (General Funds), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, Brownfield Cleanup Revolving Fund, and Interstate Bridge Fund.

2. **Business-Type Activities** are financed in whole or in part by fees charged to external parties for goods or services. These activities are reported in proprietary funds or internal service funds. Business-Type Activities include the State Revolving Fund, Supplemental Fund, Airport Facilities Fund, Indiana Toll Road Lease Fund, Aviation Technology Center Fund, Toll Bridge Fund, Indiana Toll Road Project Fund, Conduit Debt Program Fund, and the Recreational Development Commission.

To determine the appropriate reporting, IFA has considered the following characteristics:

- The relationship between services received and resources provided by the consumer:
 - Governmental - Resources typically not derived from specific services.
 - Business-Type - Direct relationship between the charge and the service provided.
 - Revenue-producing capital assets:
 - Governmental - Capital assets do not have a direct relationship to revenue raising capability.
 - Business-Type - Capital assets are typically revenue producing.
-

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

- Similarly designated activities and potential for comparison:
 - Governmental - Government may perform multiple or unique functions and are difficult to compare to other governments.
 - Business-Type - Government typically performs a single function that allows for comparability with other governments.

- Nature of funding and budgets:
 - Governmental - Typically part of overall legally adopted governmental budget process.
 - Business-Type - May involve rate setting and appropriations.

- Users and uses of financial reports:
 - Governmental - Emphasis on financial condition and results of operations of multipurpose functions and broader group of users including citizens, legislative and oversight bodies, and investors/creditors.
 - Business-Type - Emphasis on financial condition and results of operations of a single activity, related compliance and reasonableness of user charges.

B. Fund Financial Statements provide detailed information about the IFA's significant funds, not the IFA entity as a whole. The IFA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The IFA has two kinds of funds:

1. **Governmental Funds** report activities for the IFA and other State Agencies that support the overall State's basic services. The IFA uses the following governmental funds:

Operating Account reports on the administrative functions of the IFA, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

Environmental Remediation Revolving Loan Fund & Petroleum Remediation Grant Incentive Fund is a special revenue fund, which provides financing for environmental clean up to local Indiana communities.

Brownfield Cleanup Revolving Loan Fund is a special revenue fund created by statute that provides financial, technical, legal, and educational assistance to eligible entities involved in Brownfield redevelopment.

Interstate Bridge Fund is a capital project fund created by statute for paying the cost of interstate bridges and improvements to such bridges. This fund is held by the IFA and managed by the Indiana Department of Transportation (INDOT) on the IFA's behalf.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

2. **Proprietary Funds** report activities for which the IFA charges lease amounts or user fees to customers that are similar. Under the proprietary funds, there are two types of sub-funds: 1) enterprise funds track business-type activities, while 2) internal service funds report activities providing general support for the IFA's programs.

a. **Enterprise Funds**

State Revolving Fund reports on low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure.

Supplemental Fund reports on low interest loans and grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

Indiana Toll Road Lease Fund includes the IFA's lease to the Indiana Toll Road Concession Company, LLC ("ITRCC"). The ITRCC is responsible for the operation and maintenance of the Indiana Toll Road.

Airport Facilities Fund reports on the direct financing activities for airport or aviation related property of facilities referred to by the IFA as the Indianapolis Maintenance Center ("IMC").

Aviation Technology Center Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by the IFA as the Aviation Technology Center.

Conduit Debt Program reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

Toll Bridge Fund is specified for accounting of the net assets and operations of the Wabash River Toll Bridge. The IFA has full control and approval responsibilities for the Wabash River Toll Bridge. However, INDOT has responsibility for operation, maintenance, financial control and reporting for the Wabash River Toll Bridge.

b. **Internal Service Funds**

Indiana Toll Road Project was leased by the IFA to INDOT prior to the lease with the ITRCC. INDOT was responsible for the operation and financing the Indiana Toll Road Project until June 29, 2006.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

Highway Revenue Bonds is an internal service fund that provides financing for the construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Stadium and Convention Center Financing is an internal service fund providing financing for the new Stadium and Convention Center expansion in Indianapolis and managed by the Indiana Stadium and Convention Building Authority.

State Office Building Commission reports on the financing activities for State office buildings, garages, hospitals and correctional facilities. These facilities are owned by the IFA but operated and maintained by the Indiana Department of Administration.

Recreational Development Commission reports on the financing activities of recreational facilities constructed in State parks. The Indiana Department of Natural Resources is responsible for the operation, maintenance and financing of these facilities.

(Continued)

**INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009**

**CONDENSED FINANCIAL INFORMATION; OVERALL FINANCIAL POSITION AND
RESULTS OF OPERATIONS AND SIGNIFICANT TRANSACTIONS
WITHIN INDIVIDUAL FUNDS**

This section provides an overview of the overall financial position, results of operations and significant transactions within individual funds.

Net Assets: The following is condensed from the Statement of Net Assets:

**Indiana Finance Authority
Condensed Statement of Net Assets (in millions of dollars)
June 30, 2009**

	Governmental Activities	Business-Type Activities	Total Activities
Assets			
Cash and investments	\$ 306	\$ 1,069	\$ 1,375
Accounts, loans, and lease receivable	1,015	1,816	2,831
Investment in direct financing leases	1,271	172	1,443
Capital assets, net	856	513	1,369
Other assets	7	8	15
Total assets	\$ 3,455	\$ 3,578	\$ 7,033
Liabilities and Net Assets (Deficiency)			
Liabilities			
Accounts payable and other liabilities	\$ 3	\$ 11	\$ 14
Interest payable	28	37	65
Deferred revenue	3	3,606	3,609
Bonds payable and other long-term obligations	3,055	1,919	4,974
Total liabilities	3,089	5,573	8,662
Net assets (deficiency)			
Invested in capital assets, net of related debt	90	1	91
Restricted	168	1,011	1,179
Unrestricted	108	(3,007)	(2,899)
Total net assets (deficiency)	366	(1,995)	(1,629)
Total liabilities and net assets (deficiency)	\$ 3,455	\$ 3,578	\$ 7,033

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

The total net assets (deficiency) at June 30 was as follows:

	<u>2009</u>	<u>2008</u>
Assets	\$ 7,033	\$ 6,654
Liabilities	<u>(8,662)</u>	<u>(8,554)</u>
Net assets (deficiency)	<u>\$ (1,629)</u>	<u>\$ (1,900)</u>

The net assets (deficiency) was (\$1.6) billion at June 30, 2009, which represents a \$271 million, or 14%, increase from the prior years net assets. Total assets increased by \$379 million, while total liabilities increased by \$108 million.

An increase in the note receivable due from the Indiana Stadium & Convention Center Building Authority caused assets to be higher than the prior year. While the primary reason for the increase in liabilities is due to the issuance of new debt for the Stadium and Convention Center Expansion project, offset by the recognition of Indiana Toll Road lease revenue. On June 29, 2006, the IFA leased the Indiana Toll Road for a one-time payment of \$3.8 billion to the ITRCC for 75 years. As required under the legislation passed by the Indiana General Assembly, the IFA transferred \$3.6 billion of the lease payment to the State in July 2006 to fund the Major Moves initiative to improve both State and local transportation infrastructure. The IFA recognizes lease revenue over the life of the lease on a straight-line basis.

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INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

Change in Net Assets (Deficiency): The following is condensed from the Statement of Activities:

Indiana Finance Authority
Statement of Activities (in millions of dollars)
Year Ended June 30, 2009

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Lease rental	\$ 230	\$ 72	\$ 302
Investment earnings	4	108	112
Interest on loans	-	57	57
State appropriation and grants	5	32	37
Other	5	85	90
Total revenues	<u>244</u>	<u>354</u>	<u>598</u>
Expenses			
IFA operations and other	48	23	71
Interest expense	159	91	250
Distribution to primary government	-	6	6
Total expenses	<u>207</u>	<u>120</u>	<u>327</u>
Transfers in (out)	1	(1)	-
Change in net assets (deficiency)	38	233	271
Net assets (deficiency), beginning of year	328	(2,228)	(1,900)
Net assets (deficiency), end of year	<u>\$ 366</u>	<u>\$ (1,995)</u>	<u>\$ (1,629)</u>

	<u>2009</u>	<u>2008</u>
Revenues	\$ 598	\$ 580
Expenses	(327)	(307)
Transfers in (out)	-	(15)
Change in net assets	<u>\$ 271</u>	<u>\$ 258</u>

The increase in net assets (deficiency) was \$271 million for the fiscal year ended June 30, 2009, as compared to a increase of net assets of \$258 million for the prior year. Revenue increased by \$18 million, which represents a 3% change from the prior year. Expenses increased by \$20 million, which represents a 7% change from the prior year. Revenues increased due to the higher lease rental receipts made to cover increased debt service. While expenses increased due to higher debt service due to new bond issuance, increased environmental remediation on the Indiana Toll Road and the Capital Budgeting Project initiative.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

SIGNIFICANT CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

Analysis of Infrastructure Assets: The primary infrastructure assets related to the IFA are within the Highway Revenue Bonds and the Indiana Toll Road Lease Fund.

Highway Revenue Bonds - The nature of the direct financing lease activity between the IFA and INDOT means that the IFA does not own infrastructure assets related to the Highway Revenue Bonds. Instead, the IFA has an interest in direct financing lease assets on the Statement of Net Assets for \$1.3 billion. For such leases, the IFA is the lessor and INDOT is the lessee. INDOT is responsible for reporting information regarding the assessment condition and condition level of the road system funded through Highway Revenue Bonds.

Indiana Toll Road Lease - Historically, the infrastructure assets related to the Indiana Toll Road were reported separate from IFA's reporting entity. The IFA reported an equity interest in the overall assets held by the Indiana Toll Road Project. During fiscal year 2006, the IFA concluded its lease with INDOT, and leased the Indiana Toll Road to the ITRCC for 75 years. With the inception of the new lease, the IFA liquidated its equity interest in the Indiana Toll Road Project. IFA's investment in infrastructure assets, land and land improvements, is \$482 million.

Capital Assets: Property and equipment used for IFA operations are land, bridges, buildings and equipment related to the following: the prior State Office Building Commission, the prior Recreational Development Commission, the Toll Bridge Fund, and the Indiana Toll Road Lease Fund. The State Office Building Commission assets have a cost basis of \$1.167 billion and accumulated depreciation of \$311 million. The total decrease in the State Office Building Commission's investment is \$12 million. Capital assets related to the Recreational Development Commission have a cost basis of \$45 million and accumulated depreciation of \$15 million and have decreased by \$2 million over the prior year. Toll Bridge Fund capital assets have a cost basis of \$0.6 million and accumulated depreciation of \$0.1 million. Indiana Toll Road Lease Fund assets have a cost basis of \$534 million and accumulated depreciation of \$52 million.

The IFA's investment in direct financing leases is presented on the Statement of Net Assets at \$1.443 billion.

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

IFA
Capital and Infrastructure Assets (in millions of dollars)
June 30, 2009

	<u>Governmental</u> <u>Activities</u>	<u>Business</u> <u>Activities</u>	<u>Total</u> <u>Activities</u>
Capital Assets			
Property, plant and equipment, net:			
State Office Building Commission	\$ 856	\$ -	\$ 856
Recreational Development Commission	-	30	30
Toll Bridge Fund	-	1	1
Indiana Toll Road Lease Fund	-	482	482
Total	<u>\$ 856</u>	<u>\$ 513</u>	<u>\$ 1,369</u>
Investment in direct financing leases:			
Aviation Technology Center Fund	\$ -	\$ 7	\$ 7
Airport Facilities Fund	-	165	165
Highway Revenue Bonds	1,271	-	1,271
Total	<u>\$ 1,271</u>	<u>\$ 172</u>	<u>\$ 1,443</u>

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
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Long-term Debt Activity: Outstanding debt balances are presented as follows for governmental and business type activities:

Governmental Activities:

Long-term Debt	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Highway Revenue Bonds	\$ 1,295,693,206	\$ 3,991,161	\$ 38,845,000	\$ 1,260,839,367
State Office Building Commission bonds and notes	861,986,561	7,813,985	70,851,076	798,949,470
Stadium Project Bonds	611,525,000	384,088,542	-	995,613,542
	<u>\$ 2,769,204,767</u>	<u>\$ 395,893,688</u>	<u>\$ 109,696,076</u>	<u>\$ 3,055,402,379</u>

Business-Type Activities:

Long-term Debt	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Airport Facilities	\$ 179,140,000	\$ -	\$ 14,030,000	\$ 165,110,000
Aviation Technology Center	7,555,000	-	620,000	6,935,000
State Revolving Program Fund	1,789,656,523	-	73,682,464	1,715,974,059
Recreational Development Commission	28,672,503	80,531	1,830,000	26,923,034
	<u>\$ 2,005,024,026</u>	<u>\$ 80,531</u>	<u>\$ 90,162,464</u>	<u>\$ 1,914,942,093</u>

Long-term Lease Activity: Outstanding lease balances are presented as follows for governmental and business type activities:

Governmental Activities:

Long-term Lease	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Highway Revenue Bonds	\$ 1,304,661,675	\$ 5,453,672	\$ 38,845,000	\$ 1,271,270,347

Business-Type Activities:

Long-term Lease	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Airport Facilities	\$ 179,140,000	\$ -	\$ 14,030,000	\$ 165,110,000
Aviation Technology Center	7,555,000	-	620,000	6,935,000
	<u>\$ 186,695,000</u>	<u>\$ -</u>	<u>\$ 14,650,000</u>	<u>\$ 172,045,000</u>

(Continued)

INDIANA FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2009

CURRENTLY KNOWN FACTS

Governmental Activities

In October 2009, the IFA altered the liquidity facilities in connection with the variable rate bonds issued for the Lucas Oil Stadium and Indiana Convention Center Projects. Following a mandatory tender of the bonds, the prior standby bond purchase agreement ("SBPA") syndicates were replaced by individual SBPAs between a bank and the IFA for certain sub-series of bonds. The banks include JPMorgan Chase Bank, Barclays Bank PLC, The Bank of New York Mellon, and The Bank of Nova Scotia. The IFA will be using self-liquidity on the remaining sub-series of bonds.

DISCLOSURE

These annual financial statements are not a disclosure document, an offering memorandum, an official statement or prospectus for any revenue bond issued by the IFA, and no investor should rely on it as such. The information contained in the annual financial statements is limited information. Information and any expression of opinion (other than the report of the independent auditors) contained in the annual financial statements are subject to change. Such information and any opinion speak only as of their date.

PART 2 - BASIC FINANCIAL STATEMENTS

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash	\$ 156,915	\$ 1,776,878	\$ 1,933,793
Investments	305,405,608	610,738,295	916,143,903
Interest receivable on investments and loans	141,632	25,198,586	25,340,218
Lease income receivable	12,737,889	8,292,208	21,030,097
Grants and accounts receivable	335,475	29,687,961	30,023,436
Loans receivable	9,294,028	72,888,044	82,182,072
Interfund receivable	479,364	19,381	498,745
Investment in direct financing leases	40,755,035	15,745,000	56,500,035
Interest held in assets of the Toll Road Project	-	9,080	9,080
Construction escrows	159,319	-	159,319
Total current assets	<u>369,465,265</u>	<u>764,355,433</u>	<u>1,133,820,698</u>
Noncurrent assets:			
Investments	-	455,483,142	455,483,142
Investment in direct financing leases	1,230,515,312	156,300,000	1,386,815,312
Loans receivable	991,590,942	1,680,074,037	2,671,664,979
Deferred charges, net	144,087	-	144,087
Unamortized bond issue cost, net	6,975,721	8,346,873	15,322,594
Capital assets, net	856,433,558	513,055,775	1,369,489,333
Total noncurrent assets	<u>3,085,659,620</u>	<u>2,813,259,827</u>	<u>5,898,919,447</u>
Total Assets	<u>\$ 3,455,124,885</u>	<u>\$ 3,577,615,260</u>	<u>\$ 7,032,740,145</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
LIABILITIES AND NET ASSETS (DEFICIENCY)			
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 1,684,422	\$ 3,036,412	\$ 4,720,834
Interfund payable	303,194	195,551	498,745
Interest payable	28,318,454	36,672,699	64,991,153
Amount due to primary government	201,178	66	201,244
Deferred revenue	75,000	63,483,708	63,558,708
Revenue bonds payable - current	97,925,000	96,875,000	194,800,000
Construction retention	429,680	164,522	594,202
Amount due to federal government	-	1,676,901	1,676,901
Total current liabilities	128,936,928	202,104,859	331,041,787
Noncurrent liabilities:			
Revenue bonds payable	2,957,477,379	1,818,067,093	4,775,544,472
Pollution remediation	-	4,288,746	4,288,746
Amount due to federal government	292,185	5,886,374	6,178,559
Deferred revenue	2,700,000	3,542,381,346	3,545,081,346
Total noncurrent liabilities	2,960,469,564	5,370,623,559	8,331,093,123
Total Liabilities	3,089,406,492	5,572,728,418	8,662,134,910
Net Assets (Deficiency)			
Invested in capital assets, net of related debt	89,945,342	526,891	90,472,233
Restricted for:			
Debt service	167,985,895	7,569,220	175,555,115
Water pollution and drinking water projects	-	1,003,399,313	1,003,399,313
Unrestricted	107,787,156	(3,006,608,582)	(2,898,821,426)
Total net assets (deficiency)	365,718,393	(1,995,113,158)	(1,629,394,765)
Total Liabilities and Net Assets (Deficiency)	\$ 3,455,124,885	\$ 3,577,615,260	\$ 7,032,740,145

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets (Deficiency) Primary Government		
	Expenses	Charges for Services	Operating and Capital Grants	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	\$ 4,904,068	\$ 2,734,765	\$ -	\$ (2,169,303)	\$ -	\$ (2,169,303)
Conduit Debt Program	206,731	204,509	-	(2,222)	-	(2,222)
Environmental	7,199,352	2,496,376	-	(4,702,976)	-	(4,702,976)
Transportation Finance	68,017,604	70,900,632	-	2,883,028	-	2,883,028
State Office Buildings Finance	73,476,419	110,175,162	-	36,698,743	-	36,698,743
Stadium and Convention Center Finance	49,784,038	53,021,986	-	3,237,948	-	3,237,948
Total Governmental Activities	203,588,212	239,533,430	-	35,945,218	-	35,945,218
Business-Type Activities:						
Drinking Water and Wastewater	85,860,547	57,655,473	31,617,049	-	3,411,975	3,411,975
Airport Facilities Finance	8,314,617	12,158,212	-	-	3,843,595	3,843,595
Toll Road Lease	20,057,290	138,432,305	-	-	118,375,015	118,375,015
Aviation Technology Center Finance	397,392	966,734	-	-	569,342	569,342
Toll Bridges	580,664	710,375	-	-	129,711	129,711
Health and Education	414,955	482,340	-	-	67,385	67,385
Recreation Development Finance	3,291,763	3,385,643	-	-	93,880	93,880
Total Business-Type Activities	118,917,228	213,791,082	31,617,049	-	126,490,903	126,490,903
Total Primary Government	\$ 322,505,440	\$ 453,324,512	\$ 31,617,049	\$ 35,945,218	\$ 126,490,903	\$ 162,436,121
General Revenues						
Investment earnings, net				\$ 946,483	\$ 107,408,210	\$ 108,354,693
Other Financing Sources						
Transfers				876,067	(876,067)	-
Total General and Other Sources				1,822,550	106,532,143	108,354,693
Change in net assets (deficiency)				37,767,768	233,023,046	270,790,814
Net Assets (Deficiency)- Beginning of year				327,950,625	(2,228,136,204)	(1,900,185,579)
Net Assets (Deficiency) - End of year				\$ 365,718,393	\$ (1,995,113,158)	\$ (1,629,394,765)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
 FUND FINANCIAL STATEMENTS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2009

	General	Other Governmental Funds	Totals
<u>Assets</u>			
Cash	\$ 156,349	\$ 566	\$ 156,915
Investments	-	22,977,148	22,977,148
Interest receivable on investments	-	9,320	9,320
Interest receivable on loans	-	27,449	27,449
Accounts receivable	143,304	174,171	317,475
Loans receivable, net	-	5,271,428	5,271,428
Interfund receivable	479,364	-	479,364
Capital assets, net of accumulated depreciation	4,123	45,169	49,292
Total Assets	\$ 783,140	\$ 28,505,251	\$ 29,288,391
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 773,942	\$ 384,561	\$ 1,158,503
Interfund payable	-	100,649	100,649
Total liabilities	773,942	485,210	1,259,152
Fund Balances			
Reserved:			
Environmental	-	11,063,531	11,063,531
Unreserved:			
General Fund	9,198	-	9,198
Special revenue funds	-	16,955,944	16,955,944
Capital projects funds	-	566	566
Total fund balances	9,198	28,020,041	28,029,239
Total Liabilities and Fund Balances	\$ 783,140	\$ 28,505,251	\$ 29,288,391

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF FUND FINANCIAL STATEMENTS BALANCE SHEET-
GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances - governmental funds \$ 28,029,239

Amounts reported for governmental activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission and Stadium and Convention Center Financing are included in governmental activities in the statement of net assets.

337,689,154

Net assets of governmental activities

\$ 365,718,393

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - GOVERNMENTAL FUNDS
 For the year ended June 30, 2009

	General	Other Governmental Funds	Totals
Revenues:			
State appropriations	\$ 2,722,165	\$ 790,500	\$ 3,512,665
Investment earnings, net	(2,425)	473,893	471,468
Interest on loans	-	157,075	157,075
Grant income	-	1,213,891	1,213,891
Financing fees and premiums	-	204,509	204,509
Other funding	15,025	334,910	349,935
Total revenues	<u>2,734,765</u>	<u>3,174,778</u>	<u>5,909,543</u>
Expenditures:			
General Government	4,904,068	-	4,904,068
Business Development	-	206,731	206,731
Environmental	-	7,199,352	7,199,352
Total expenditures	<u>4,904,068</u>	<u>7,406,083</u>	<u>12,310,151</u>
Excess of Expenditures over Revenues	<u>(2,169,303)</u>	<u>(4,231,305)</u>	<u>(6,400,608)</u>
Other Financing Sources:			
Transfers in (out)	1,975,000	(1,350,000)	625,000
Total other financing sources and uses	<u>1,975,000</u>	<u>(1,350,000)</u>	<u>625,000</u>
Net Change in Fund Balances	(194,303)	(5,581,305)	(5,775,608)
Fund Balances- Beginning	203,501	33,601,346	33,804,847
Fund Balances- Ending	<u>\$ 9,198</u>	<u>\$ 28,020,041</u>	<u>\$ 28,029,239</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF FUND FINANCIAL STATEMENTS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

Net change in fund balances - governmental funds \$ (5,775,608)

Amounts reported for governmental type activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission and Stadium and Convention Center Financing are included in governmental activities in the statement of activities.

43,543,376

Change in net assets of governmental activities \$ 37,767,768

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND-FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2009

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash	\$ -	\$ -	\$ 1,776,878	\$ 1,776,878	\$ -
Investments	478,781,076	101,537,830	27,919,418	608,238,324	284,928,431
Interest receivable on investments	6,588,682	19,478	10,659	6,618,819	105,298
Interest receivable on loans	18,449,505	-	129,827	18,579,332	-
Lease income receivable	-	1,540,350	6,751,858	8,292,208	12,737,889
Grants and accounts receivable	29,610,341	817	76,803	29,687,961	18,000
Loans receivable	71,830,032	-	1,058,012	72,888,044	8,565,000
Interfund receivable	5,102	-	14,279	19,381	-
Investment in direct financing leases	-	-	15,745,000	15,745,000	40,755,035
Interest held in assets of the Toll Road Project	-	-	-	-	9,080
Construction escrows	-	-	-	-	159,319
Total current assets	<u>605,264,738</u>	<u>103,098,475</u>	<u>53,482,734</u>	<u>761,845,947</u>	<u>347,278,052</u>
Noncurrent assets:					
Investments	454,477,092	-	1,006,050	455,483,142	-
Investment in direct financing leases	-	-	156,300,000	156,300,000	1,230,515,312
Loans receivable	1,666,797,048	-	13,276,989	1,680,074,037	987,048,542
Unamortized bond issue cost	7,964,571	-	-	7,964,571	7,358,023
Deferred charges, net	-	-	-	-	144,087
Capital assets, net of accumulated depreciation	30,567	482,254,398	526,891	482,811,856	886,628,185
Total noncurrent assets	<u>2,129,269,278</u>	<u>482,254,398</u>	<u>171,109,930</u>	<u>2,782,633,606</u>	<u>3,111,694,149</u>
Total Assets	<u>\$ 2,734,534,016</u>	<u>\$ 585,352,873</u>	<u>\$ 224,592,664</u>	<u>\$ 3,544,479,553</u>	<u>\$ 3,458,972,201</u>
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	\$ 157,252	\$ 2,808,349	\$ 45,092	\$ 3,010,693	\$ 551,640
Interfund payable	109,425	3,376	75,998	188,799	209,295
Interest payable	34,649,807	-	1,411,121	36,060,928	28,930,225
Amount due to primary government	-	-	66	66	201,178
Deferred revenue	-	63,483,708	-	63,483,708	75,000
Revenue bonds payable - current	79,190,000	-	15,745,000	94,935,000	99,865,000
Construction retention	-	164,522	-	164,522	429,680
Amount due to federal government	1,676,901	-	-	1,676,901	-
Total current liabilities	<u>115,783,385</u>	<u>66,459,955</u>	<u>17,277,277</u>	<u>199,520,617</u>	<u>130,262,018</u>
Noncurrent liabilities:					
Revenue bonds payable	1,636,784,059	-	156,300,000	1,793,084,059	2,982,460,413
Pollution Remediation	-	4,288,746	-	4,288,746	-
Amount due to federal government	5,886,374	-	-	5,886,374	292,185
Deferred revenue	-	3,542,381,346	-	3,542,381,346	2,700,000
Total noncurrent liabilities	<u>1,642,670,433</u>	<u>3,546,670,092</u>	<u>156,300,000</u>	<u>5,345,640,525</u>	<u>2,985,452,598</u>
Total Liabilities	<u>1,758,453,818</u>	<u>3,613,130,047</u>	<u>173,577,277</u>	<u>5,545,161,142</u>	<u>3,115,714,616</u>
Net Assets (Deficiency)					
Invested in capital assets, net of related debt	-	-	526,891	526,891	89,945,342
Restricted for debt service	-	-	7,569,220	7,569,220	167,985,895
Restricted for water pollution and drinking water projects	976,080,198	-	27,319,115	1,003,399,313	-
Unrestricted	-	(3,027,777,174)	15,600,161	(3,012,177,013)	85,326,348
Total Net Assets (Deficiency)	<u>\$ 976,080,198</u>	<u>\$ (3,027,777,174)</u>	<u>\$ 51,015,387</u>	<u>\$ (2,000,681,589)</u>	<u>\$ 343,257,585</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF FUND FINANCIAL STATEMENTS STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS TO THE GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2009

Total net assets (deficiency) - enterprise funds \$(2,000,681,589)

Amounts reported for business-type activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for the Indiana Toll Road Project and the Recreational Development Commission are included in business type activities in the statement of net assets.

5,568,431

Net assets (deficiency) of business-type activities \$(1,995,113,158)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
For the year ended June 30, 2009

	Enterprise Funds				
	State		Other		Internal
	Revolving Fund	Toll Road Lease Fund	Enterprise Funds	Total	Service Funds
Operating Revenues:					
State appropriations	\$ -	\$ -	\$ 2,025,000	\$ 2,025,000	\$ 52,540
Lease rental income	-	55,556,940	13,228,063	68,785,003	232,591,496
Interest on loans	56,999,588	-	297,825	57,297,413	89,657
Tolls	-	-	710,375	710,375	-
Financing fees and premiums	287,794	-	379,223	667,017	4,517,421
Other funding	-	82,875,365	1,726	82,877,091	232,309
Total operating revenue	<u>57,287,382</u>	<u>138,432,305</u>	<u>16,642,212</u>	<u>212,361,899</u>	<u>237,483,423</u>
Operating Expenses:					
Personal services	583,770	27,151	671,971	1,282,892	905,620
Nonpersonal services	25,173	27,450	333,100	385,723	1,704,843
Professional services	630,944	168,393	163,892	963,229	415,551
Supplies	4,135	90	903	5,128	6,279
Equipment and building fixtures	3,592	1,496	(3,416)	1,672	124,646
Travel	6,518	134	6,346	12,998	4,469
Interest expense	81,265,891	-	8,630,193	89,896,084	163,946,768
Depreciation expense and amortization	1,080,752	5,102,308	4,332	6,187,392	30,469,974
Reimbursement agreement loss	263,527	-	-	263,527	-
Other expense	1,697,733	8,618,329	198,819	10,514,881	229,622
Total operating expenses	<u>85,562,035</u>	<u>13,945,351</u>	<u>10,006,140</u>	<u>109,513,526</u>	<u>197,807,772</u>
Operating income (loss)	<u>(28,274,653)</u>	<u>124,486,954</u>	<u>6,636,072</u>	<u>102,848,373</u>	<u>39,675,651</u>
Nonoperating Revenues (Expenses):					
Investment earnings, net	106,025,823	1,555,999	(179,364)	107,402,458	3,716,290
Distribution to primary government	-	(6,111,939)	-	(6,111,939)	-
Total nonoperating revenue (expenses)	<u>106,025,823</u>	<u>(4,555,940)</u>	<u>(179,364)</u>	<u>101,290,519</u>	<u>3,716,290</u>
Income before Capital					
Contributions and Transfers	77,751,170	119,931,014	6,456,708	204,138,892	43,391,941
Capital contributions	29,592,049	-	68,540	29,660,589	-
Transfers in (out)	-	(111,307)	(764,760)	(876,067)	251,067
Change in Net Assets (Deficiency)	<u>107,343,219</u>	<u>119,819,707</u>	<u>5,760,488</u>	<u>232,923,414</u>	<u>43,643,008</u>
Net Assets (Deficiency) - Beginning of year	868,736,979	(3,147,596,881)	45,254,899	(2,233,605,003)	299,614,577
Net Assets (Deficiency) - End of year	<u>\$ 976,080,198</u>	<u>\$ (3,027,777,174)</u>	<u>\$ 51,015,387</u>	<u>\$ (2,000,681,589)</u>	<u>\$ 343,257,585</u>

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF FUND FINANCIAL STATEMENTS STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

Net change in net assets (deficiency) - enterprise funds **\$ 232,923,414**

Amounts reported for business-type activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for the Indiana Toll Road Project and the Recreational Development Commission are included in business type activities in the statement of activities.

99,632

Change in net assets (deficiency) of business-type activities **\$ 233,023,046**

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2009

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Lease, rent and toll receipts	\$ -	\$ (7,926,768)	\$ 14,092,220	\$ 6,165,452	\$ 178,850,724
Other operating income	24,267	(2,259,010)	2,380,663	145,920	4,802,270
Payments for general and administrative expenses	(3,016,357)	(11,109,394)	(2,715,814)	(16,841,565)	(877,451)
Net Cash Provided (Used) by Operating Activities	(2,992,090)	(21,295,172)	13,757,069	(10,530,193)	182,775,543
Cash Flows from Investing Activities					
Principal repayments of loans	80,636,534	-	1,138,540	81,775,074	-
Issuance of loans	(169,816,934)	-	(482,543)	(170,299,477)	(384,088,542)
Change in investments	215,995,667	-	(1,006,048)	214,989,619	-
Interest received on loans and investments, net	171,535,556	1,651,894	167,856	173,355,306	54,753,194
Purchase of property and equipment	(6,430)	-	-	(6,430)	(16,188,247)
Net Cash Provided (Used) by Investing Activities	298,344,393	1,651,894	(182,195)	299,814,092	(345,523,595)
Cash Flows from Non-Capital Financing Activities					
Principal payments to reduce indebtedness including refunding	(73,676,619)	-	-	(73,676,619)	-
Payment of debt issuance costs, net of refunding	191,659	-	-	191,659	-
Change in amount due to federal government	1,212,060	-	-	1,212,060	-
Interest paid on debt	(82,505,632)	-	-	(82,505,632)	-
Net Cash Used by Non-Capital Financing Activities	(154,778,532)	-	-	(154,778,532)	-
Cash Flows from Capital Financing Activities					
Proceeds from debt issuance	-	-	-	-	384,169,073
Principal payments to reduce indebtedness	-	-	(14,650,000)	(14,650,000)	(101,837,872)
Interest paid on debt	-	-	(9,211,129)	(9,211,129)	(164,251,762)
Capital lease principal receipts	-	-	14,650,000	14,650,000	38,845,000
Acquisition of capital assets	-	-	-	-	(5,453,672)
Capital contributions (EPA grants)	11,162,946	-	9,837	11,172,783	-
Net Cash Provided (Used) by Capital Financing Activities	11,162,946	-	(9,201,292)	1,961,654	151,470,767
Net Increase (Decrease) in Cash and Equivalents	151,736,717	(19,643,278)	4,373,582	136,467,021	(11,277,285)
Cash and Equivalents					
Beginning of Year	327,044,359	121,181,108	25,322,714	473,548,181	296,205,716
End of Year	\$ 478,781,076	\$ 101,537,830	\$ 29,696,296	\$ 610,015,202	\$ 284,928,431
Cash and Equivalents					
Cash	\$ -	\$ -	\$ 1,776,878	\$ 1,776,878	\$ -
Short-term investments with original maturities of 60 days or less	478,781,076	101,537,830	27,919,418	608,238,324	284,928,431
	\$ 478,781,076	\$ 101,537,830	\$ 29,696,296	\$ 610,015,202	\$ 284,928,431
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ (28,274,653)	\$ 124,486,954	\$ 6,636,072	\$ 102,848,373	\$ 39,675,651
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Interest on loans	(56,999,588)	-	(297,825)	(57,297,413)	-
Interest expense	81,265,891	-	8,630,193	89,896,084	110,924,782
Amortization of deferred charges	1,074,907	-	-	1,074,907	988,781
Amortization of deferred revenue	-	(49,395,540)	-	(49,395,540)	-
Depreciation	-	5,102,308	4,332	5,106,640	29,481,193
Contributed property and equipment	-	(85,134,375)	-	(85,134,375)	-
Distribution to primary government	-	(6,111,939)	-	(6,111,939)	-
Transfer for administrative reimbursement	-	(111,307)	(764,760)	(876,067)	251,068
Changes in assets and liabilities:					
Accounts receivable and other assets	(3,089)	(1,541,167)	273,496	(1,270,760)	2,608,286
Accounts payable and accrued expenses	(55,558)	5,498,062	(724,439)	4,718,065	(1,079,218)
Deferred revenue	-	(14,088,168)	-	(14,088,168)	(75,000)
	\$ (2,992,090)	\$ (21,295,172)	\$ 13,757,069	\$ (10,530,193)	\$ 182,775,543
Supplemental disclosure of non-cash transactions:					
Contributed property and equipment	\$ -	\$ 85,134,375	\$ -	\$ 85,134,375	\$ -

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

The accompanying financial statements of the Indiana Finance Authority (IFA) as of June 30, 2009, and for the fiscal year then ended, conform with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The IFA's significant accounting policies are as follows:

Reporting Entity: IFA's primary purpose is to oversee State-related debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in Indiana. IFA was constituted pursuant to changes made to Indiana Code 4-4-10 & 11 et seq., via Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 ("PL 235").

In order to provide economic efficiencies and management synergies and enable the State to communicate as one voice with the various participants in the financial markets, the Indiana Development Finance Authority (IDFA), the State Office Building Commission (SOBC), the Indiana Transportation Finance Authority (ITFA), State Revolving Fund Programs (SRF) and the Recreational Development Commission (RDC) were consolidated under the new Indiana Finance Authority on May 15, 2005 in PL 235. On July 1, 2007, the Indiana Health and Education Finance Authority (IHEFA) was consolidated under the IFA. For purposes of comparison, the previously existing entities are reported in a way that may give the impression that they are still in existence. However, IDFA, SOBC, ITFA, IHEFA and RDC are no longer existing legal entities.

IFA's primary programs include:

State Finance Programs: As the successor entity to these formerly separate debt issuing entities, IFA is authorized to issue revenue bonds payable from lease rentals under lease agreements with various state agencies and to finance or refinance the cost of acquiring, building and equipping structures for state use including state office buildings, garages, highways, bridges, airport facilities, correctional facilities, state hospitals, and recreational facilities related to State parks.

Business Finance Programs: The following are IFA business finance programs:

- Volume Cap - Indiana's \$501 million capacity to issue private activity bonds, competitively awarded based on jobs created and/or retained, wages, capital investment, project location, dedication to low-income housing and other factors.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

- Tax-Exempt Bond - Industrial revenue bonds, refunding bonds, 501(c)(3) bonds, and smaller bonds issued monthly.
- Health and Education Facilities - financing alternatives for Indiana health care organizations and private institutions of higher education.

Environmental Finance Programs: The following are IFA environmental finance programs:

- Indiana Brownfields Program - The Program offers financial, technical, legal and educational assistance to eligible entities involved in Brownfields redevelopment. IFA works in partnership with the U.S. Environmental Protection Agency and other Indiana agencies to assist communities in making productive use of their Brownfield properties.
- State Revolving Fund Programs (SRF) - The SRF Loan Program provides low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure.

Segment Reporting: Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity reported as, or within, an enterprise fund or other reporting entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt.

For the benefit of stakeholders and to address accounting and reporting requirements commonly set forth in bond indentures, IFA has disclosed condensed segment information for all non-conduit debt financing activities regardless of their reporting treatment as enterprise funds or other types of funds, and treatment as major versus non-major in the body of the basic financial statements.

The basic financial statements include statements required by the GASB that present different financial views of the IFA:

- The first two statements are government wide financial statements that provide both long-term and short-term information about the IFA's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the IFA, reporting the IFA's operation in more detail than the government wide statements.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

The financial statements also include these notes that explain some of the information in the financial statements and provide data that are more detailed. Please note the breakdown of the statements is required by GASB and for audited financial statement reporting only.

A. Government Wide Financial Statements Basis of Presentation: The IFA includes operating functions that conduct governmental activities and business-type activities, which collectively present a government wide summary of the financial position and activities of IFA. The Statement of Net Assets and the Statement of Activities display government wide information. The IFA government wide financial statements are divided into two categories:

- **Governmental activities** include Operating Account (General Funds), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, Brownfield Cleanup Revolving Fund, and Interstate Bridge Fund. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Stadium and Convention Center Financing, and State Office Building Commission.
- **Business-type activities** include the State Revolving Fund, Supplemental Fund, Airport Facilities Fund, Conduit Debt Programs Fund, Aviation Technology Center Fund, Toll Bridge Fund, Indiana Toll Road Lease Fund, Recreational Development Commission, and Indiana Toll Road Project Fund.

B. Fund Financial Statements Presentation: These statements are reported in two categories: Governmental Funds and Proprietary Funds.

1) Governmental Funds - Governmental Funds report activities for the IFA and other State Agencies that support the overall State's basic services. Governmental funds include:

General Fund: The General Fund is used to account for IFA activities not required to be accounted for in another fund. Examples of activities accounted for within the General Fund include IFA operating budget activity, program service revenue and expenses, and certain business and environmental finance programs, not included in special revenue funds or other fund types.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. IFA's Special Revenue Funds include the following:

The **Environmental Remediation Revolving Loan Fund (Brownfields Fund)** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues.

The **Petroleum Remediation Grant Incentive Fund** is a component of the Environmental Remediation Revolving Loan Fund that provides assistance to cities, towns, and counties in Indiana to complete remediation of petroleum contamination at Brownfield sites. IFA administers the program in conjunction with technical staff of the Indiana Department of Environmental Management (IDEM).

The **Brownfields Cleanup Revolving Loan Fund** is a grant fund, which was capitalized by an award from the United States Environmental Protection Agency (EPA). The purpose of the Fund is to establish a revolving loan within the grantee's organization, under a Cooperative Agreement with the EPA. The Fund is used solely to finance remediation activities at eligible Brownfield sites.

Capital Project Funds: Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments. IFA's Capital Project Funds include the following:

- The **Interstate Bridge Fund** was created to pay for the cost of interstate bridges and improvements to such bridges. This fund is held by the IFA and managed by Indiana Department of Transportation (INDOT) for the IFA.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

2) Proprietary Funds - Proprietary funds follow the economic resources measurement focus, which is concerned with the total resources necessary to operate a particular activity. Accordingly, these funds include capital assets and long-term debt that are not included in governmental funds. Proprietary funds include enterprise funds and internal service funds.

Enterprise Funds: Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are reported as enterprise funds if any of the following criteria are met. Governments should apply each of these criteria in the context of an activity's principal revenue source:

- The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not solely from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges rather than taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION
(Continued)

IFA Enterprise Funds include:

State Revolving Fund Program reports on the Wastewater State Revolving Fund and Drinking Water State Revolving Fund programs. 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 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 has established a public drinking water system program to provide financial assistance for eligible projects. Financial assistance includes 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.

Supplemental Fund reports on low interest loans or grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

Conduit Debt Program reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

Indiana Toll Road Lease Fund reports on the operating lease between IFA, as lessor, and Indiana Toll Road Concession Company, LLC (ITRCC), as lessee, to manage and operate the Indiana Toll Road, as approved by certain legislation adopted by the Indiana General Assembly. The operating lease began on June 29, 2006 with a term of 75 years.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

IFA owns the 157-mile highway, and leases it to ITRCC, which will operate from the existing Indiana Toll Road headquarters in Granger. IFA received a cash payment of approximately \$3.8 billion upon closing of the lease agreement, and ITRCC will receive all tolls and concession revenues for the next 75 years.

Airport Facilities Lease Revenue Bonds report on the direct financing activities for airport or aviation related property or facilities referred to by the IFA as the Indianapolis Maintenance Center (IMC).

Aviation Technology Center Lease Revenue Bonds report on the direct financing activities for airport or aviation related property or facilities referred to by the IFA as the Aviation Technology Center.

Toll Bridge Fund accounts for the net assets and operations of the Wabash River Toll Bridge. By statute, the IFA controls the Toll Bridge. However, INDOT is responsible for operation, maintenance and financial control and reporting for the Toll Bridge.

Internal Service Funds: Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. IFA Internal Service Funds include:

Indiana Toll Road Project - The Indiana Toll Road Project was a lease between the IFA and INDOT to finance and operate the Indiana Toll Road. Separate reporting of the lease agreement was required and was done under the reporting entity entitled the Indiana Toll Road Project. The net assets of the Indiana Toll Road Project are owned by the IFA and reported as interest held in assets of the Indiana Toll Road Project on the Statement of Net Assets. The IFA and INDOT had specified responsibilities under the lease agreement. Indiana Toll Road Bonds were payable from lease rentals INDOT was obligated to pay under the Indiana Toll Road Lease. INDOT set and collected tolls sufficient to provide for operating expenses, major expense fund requirements and payment of base rent to the IFA in an amount sufficient for payment of debt service on the Bonds.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

The Indiana Toll Road was leased to INDOT until June 29, 2006, when a subsequent lease was entered into between IFA and ITRCC. Activity related to the new lease is reported under the Indiana Toll Road Lease Fund.

Highway Revenue Bonds primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Stadium and Convention Center Financing Program reports on the financing of the Indiana Stadium and Convention Center project managed by the Indiana Stadium and Convention Building Authority (ISCBA). IFA issued \$666 million of lease revenue bonds (Stadium), and \$329 million of lease revenue bonds (Convention Center) to finance a portion of the construction projects. IFA then entered into a loan agreement with the ISCBA structured with a payment schedule to meet debt service requirements on the bonds.

The previously existing **State Office Building Commission's** primary purpose was to construct, equip and lease state facilities through revenue bonds as authorized by the Indiana General Assembly. This has now been transferred to the IFA. The facilities are leased to the Department of Administration of the State (DOA) under use and occupancy agreements. The IFA has been authorized to issue debt obligations to provide funds for:

- Financing the implementation of the Indiana Government Center Master Plan
- Infrastructure and transportation facilities in its vicinity, certain correctional facilities and certain hospitals
- Financing the Indiana State Museum acquisition, design and construction costs
- Conducting projects to reduce energy consumption costs and other operating costs at qualified state owned institutions

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

(Continued)

The previously existing **Recreational Development Commission's** primary purpose was providing funds for projects involving Department of Natural Resources' properties. The Recreational Development Commission (the Commission) was created in 1973 by an Act of the General Assembly. Effective May 15, 2005, all powers and duties of the Commission were transferred to the Indiana Finance Authority under IC 4-4-10.9 & 11.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The government wide statements and the proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For IFA, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they will be matured or liquidated with expendable financial resources.

Fund Accounting: IFA debt financing agreements and indentures may require the use of specific funds or subfunds to account for the activities within a specific bond issue or other IFA activities. As a result, governmental and proprietary funds may have subfunds and accounts that are considered separate accounting entities for internal reporting purposes. The operations of each specific fund are accounted for with a separate set of self-balancing accounts. IFA uses the following subfund types as applicable for debt financing and indenture agreements:

- General Funds
- Expense Funds
- Lease Revenue Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Replacement Reserve Funds
- Construction Funds (including interest and clearing accounts)

Application of Accounting Principles Generally Accepted in the United States: For proprietary fund statements, IFA applies (a) all applicable FASB pronouncements issued before December 1, 1989, and (b) those issued after that date, provided they do not contradict GASB pronouncements. For governmental fund statements, IFA applies GASB pronouncements.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain prior fiscal year amounts have been reclassified to conform to the current fiscal year presentation.

Internal Balances and Activity Reporting in Government Wide Financial Statements: Transaction and balances are recorded as follows:

- **Between funds included in governmental activities column** - Eliminated within the governmental activities column.
- **Between funds included in business-type activities column** - Eliminated within the business-type activities column.
- **Between a fund included in governmental activities column and a fund included in the business-type activities column** - Internal balance; eliminate in the total activities primary government column.

Revenue Recognition: The primary revenue sources of IFA are accounted for as follows:

- State appropriations are made by the General Assembly on a biennial basis. Due to the uncertainty of allotment and release of appropriations, IFA records revenues when cash payments are received.
- Toll lease revenue is recognized on an accrual basis. (proprietary fund and government-wide statements)
- Direct financing lease revenue and operating lease revenue are recognized on an accrual basis. (proprietary funds and government-wide statements)
- Investment earnings are recognized on an accrual basis for proprietary funds government-wide statements, and modified accrual basis for governmental funds.
- Loan interest income is recorded on a modified accrual basis for governmental funds and full accrual for proprietary funds and government-wide statements.
- Grant income is recognized on an accrual basis for proprietary funds, government-wide statements, and modified accrual basis for governmental funds.
- Program revenue is recognized on an accrual basis for proprietary funds, government-wide statements, and modified accrual basis for governmental funds.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other relevant policies related to revenues follow:

- Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens as a whole. Program revenues are separately classified in three categories—(a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.
- Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and interest on debt and depreciation on capital assets. Governmental fund transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally would not be reported as components of operating income. For proprietary 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.
- IFA's policy is to apply externally restricted and reserved funds first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit. Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed (unless reported in the separate column).

Net Assets and Fund Balances: Net assets are displayed in three components:

- The Invested in Capital Assets component consists of property or infrastructure that the IFA acquired.
- The Restricted Net Assets component represents net assets with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46 - Net Assets Restricted by Enabling Legislation.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The Unrestricted Net Assets component consists of net assets that do not meet the definition of the preceding two components. IFA has reserved fund equity in special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by IFA's governing body.

Government Activities: The IFA has reserved fund equity in two special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by the IFA's governing body:

- The Environmental Remediation Revolving Loan Fund has a reserve of \$8,207,216 for current loan and grant commitments.
- The Petroleum Remediation Grant Fund has a reserve of \$2,856,315 for current grant commitments.

Cash and Equivalents: Cash and equivalents include deposits in financial institutions and short-term investments with original maturities of 60 days or less.

Investments: Investments are recorded at fair value based on quoted market prices of the investment or similar investments. Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the statements of activities. Securities traded on a national exchange are valued at their last reported sales price on the primary exchange on which they are traded. Securities traded in the over-the-counter market, and listed securities for which no sale was reported on that date, are valued at the last reported bid price.

Capital Assets: Capital assets are recorded at historical cost. Cost includes interest expense, net of interest income, incurred during construction until the asset is placed in service. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infrastructure Assets: The Indiana Toll Road Lease Fund, an enterprise fund, adopted the modified approach for recording infrastructure under GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network (hereafter, eligible infrastructure assets) are not required to be depreciated. Condition assessments are performed annually and disclosed as required supplemental information. Expenditures that qualify as maintenance in nature are recorded by the lessee. Additions and improvements to eligible infrastructure assets are capitalized by IFA when those additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

Capital Leases: Direct financing leases are accounted for by IFA, as lessor, as the sum of minimum lease payments and indirect costs less unearned income. Direct costs and unearned income are amortized over the lease term using the interest rate method that mirrors the underlying long-term debt.

Grants and accounts receivable: Grants and accounts receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed. Grant expenditures are subject to audit and acceptance by the granting agency and, because of such audit, adjustments could be required.

An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews grants and accounts receivable and considers the need for an allowance based on current circumstances. Management has estimated that no allowance is necessary at June 30, 2009.

Loans Receivable and Allowance for Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. IFA's sources of funding for loans are from state appropriations and grants. Because there are a small number of significant loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that as of June 30, 2009, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the areas that funds are loaned would increase the likelihood of additional losses because of credit and market risks and could create the need for additional loss allowance.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Lease Revenue: Operating lease cash receipts that have not been earned are recorded as deferred lease revenue and amortized over the life of the lease agreement on a straight-line basis. The primary deferred lease revenue is related to the Indiana Toll Lease Program cash receipt of \$3.8 billion from ITRCC that will be earned over the 75-year operating lease.

Due to Primary Government: This represents amounts that were due to the State at June 30, 2009 as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Liabilities - Due to primary government		
Current:		
United bankruptcy settlement - Treasurer of State	\$ -	\$ 66
Hoosier Safe-T Project - IPSC	35	-
Toxicology Lab Project - ISDH	201,143	-
	\$ 201,178	\$ 66

Long-term Debt: Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Bond Discount and Issuance Costs: Bond discount and issuance costs are amortized using the interest method over the varying terms of the bonds issued.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or vest.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS

I. Scope and Intent

This policy applies to the investment of all funds, including, but not limited to, bond proceeds and gross revenues for which the IFA and appropriate trustee(s) have investment responsibility¹. The Members of the IFA are responsible for fiduciary oversight of these invested funds. The Members have approved this Investment Policy in furtherance of their goal to meet the investment objectives listed in Section II hereof.

II. Objectives

The primary objectives, in priority order, of the IFA's investment program shall be:

1. Safety -- Safety of principal shall be the foremost objective of the investment program. Investments shall be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section V hereof. Market risk will be minimized both by structuring the portfolio so that investments generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.
2. Liquidity -- The investment portfolio shall be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio shall consist primarily of cash equivalents and securities with active secondary or resale markets.
3. Yield -- The investment portfolio shall be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity. Return on investment should be in excess of inflation, and should typically approximate or exceed the calculated yield on 3-month constant-maturity U.S. Treasury obligations.
4. Full Investment -- To the extent practicable, all funds shall be fully deployed as earning assets.
5. Minimal Turnover -- Securities shall typically not be sold prior to maturity, with the following exceptions: (1) A declining-credit security can be sold early to minimize the potential loss of principal. (2) A security can be sold and replaced with another if such action improves the quality or yield of the portfolio. (3) A security can be sold early to meet liquidity needs.

¹ As it relates to the investment of indentured funds, it relates only to the extent those funds are not invested in purpose investments, *i.e.* investments that are acquired to carry out the governmental purpose of the bond issue.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

III. Delegation of Authority

The authority to operate and manage the investment program is granted to the Public Finance Director, together with any investment officer(s) that he or she designates as such (together, the "Investment Officers"). The Public Finance Director and any additional Investment Officers shall establish controls and procedures to implement this program which shall include regular reporting to the Members of the IFA.

IV. Standard of Care

1. Prudence -- Investments shall be made in accordance with the prudent person standard. This standard provides that an investor shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. Investment officers acting in accordance with this investment policy statement and any written procedures and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected results are reported in a timely fashion and that appropriate action is taken to control adverse developments.
2. Ethics and Conflicts of Interest -- Investment Officers shall refrain from personal business activity that could conflict with the proper execution and management of the IFA's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules, and regulations.

V. Permitted Investments

1. The IFA is only permitted to invest indentured funds in those securities authorized by the applicable trust indenture, which authorizations are hereby made a part of this policy. In addition to restrictions under indentures, it is the policy of the IFA to limit allowable investments to the following types of securities:
 - U.S. Treasury securities (*e.g.* bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, and Federal Home Loan Bank debt
 - any full-faith-and-credit securities are permitted
 - non-full-faith-and-credit debt securities are permitted if rated in one of the two highest rating categories by one of the following rating agencies: Fitch, Moody's, and Standard & Poor's (the Rating Agencies)
- Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae, or Freddie Mac
 - any full-faith-and-credit securities are permitted
 - non-full-faith-and-credit pass-through securities are permitted if guaranteed by the issuing agency, and if the issuing agency is rated in one of the two highest rating categories by one of the Rating Agencies
- Obligations of state and local governments in the United States and their political subdivisions, if rated in one of the three highest rating categories by one of the Rating Agencies
- Repurchase agreements, if at least 102% collateralized by any of the above
- Money market mutual funds regulated by the Securities and Exchange Commission
 - only no-load funds are permitted (*i.e.* no commission or fee shall be charged on purchases or sales of shares)
 - permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
 - these funds seek to maintain a stable net asset value of \$1.00 per share
 - by definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940
- Commercial paper, if rated in the highest rating category by one of the Rating Agencies, with a maturity not to exceed 270 days
- Investment agreements, if the provider is rated in one of the two highest rating categories by one of the Rating Agencies

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Time deposits with maturities not exceeding five years, in state- or nationally chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation, with balances not to exceed \$100,000 per institution
- 2. Additional securities may be added to the above approved list with the approval of the Public Finance Director. All such additions shall be reported to the IFA Members at the next regular meeting.
- 3. Investments are not permitted in certain derivatives, nor in certain mutual funds which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICs.
- 4. Pursuant to IC 4-4-11-15(50), certain swap agreements (as defined in IC 8-9.5-9-4) are permissible as part of the bond issuance process, pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7 (Appendix E). These agreements include rate swap agreements, basis swaps, forward rate agreements, interest rate options, rate cap agreements, rate floor agreements, rate collar agreements, and any similar agreements (including any option to enter into any such agreement).
- 5. At times, funds may be invested for the betterment of the state economy or that of local entities within the state. These development-oriented investments may not fit the permitted investments listed above. In the future, any such investments will be subject to the prior approval of the Members. The Indiana Seed Fund I, LLC, an existing equity investment under the former Indiana Health and Educational Facility Financing Authority, is an example that will not be subject to the requirements herein and was previously approved by that board.

VI. Investment Parameters

1. Maximum Maturity -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA will not typically invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.
2. Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.
3. Diversification -- Investments shall be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

4. In lieu of specific investment directives, an Investment Officer may issue general directives to the appropriate trustee for the investment of certain funds, which directives shall be consistent with this policy and the appropriate trust indenture.

VII. Authorized Broker/Dealers

1. All financial institutions currently serving as trustee for any component unit of the IFA are authorized to provide investment services, including investment advice, to the IFA. In addition, the Investment Officers shall maintain a list of broker/dealers authorized to provide the IFA with investment services and advice. Such list shall be reported to the IFA on an annual basis. Broker/dealers may be primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than advisor shall provide the IFA with the following:
 - Current audited financial statements
 - Proof of National Association of Securities Dealers (NASD) certification
 - Certification of having read this Investment Policy
2. Each Investment Officer, with the approval of the Public Finance Director, is authorized to enter into safekeeping agreements, wire transfer agreements or other agreements necessary or useful in administering this policy.
3. The Investment Officers shall conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

VIII. Safekeeping and Custody

1. All investment transactions, including, but not limited to, those completed by telephone, shall be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on IFA letterhead.
2. Book Entry -- The IFA shall strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities shall be physically stored or kept in the offices of the IFA.
3. Custodial Safekeeping -- Securities purchased from any bank or dealer, including collateral when appropriate, shall generally be placed with the appropriate trustee or with an independent third party for safekeeping.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Any security that is able to be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Any security not able to be wired over the FedWire, that is held by the Depository Trust Corporation (DTC), shall be held in the name of the IFA or trustee through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for the IFA or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by the IFA or the appropriate trustee).

4. Delivery vs. Payment -- All securities will be held in accounts in the name of the IFA or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

IX. Performance and Reporting

1. Annual Report -- The Investment Officers shall prepare an investment report at least annually which shall provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report shall be designed to allow Members of the IFA to ascertain whether the investment activities during the reporting period have conformed to this policy.
2. Performance -- The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance shall be compared at least annually to the yield on 3-month U.S. Treasury obligations. Such performance comparison shall be included in the annual report.

X. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. IFA's Investment Policy Statement includes the following provisions:

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Maximum Maturities -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, the IFA will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.
- Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.
- Diversification -- investments will be diversified by type of security and issuer except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security.

At June 30, 2009, IFA had the following investments and maturities:

Governmental Type Activities: Investment Type	Fair Value	Investment Maturities (in years)			
		Less than One Year	One to Five Years	Six to Ten Years	Greater than Ten Years
Money Market Investment	\$ 305,405,608	\$ 305,405,608	\$ -	\$ -	\$ -
Total	\$ 305,405,608	\$ 305,405,608	\$ -	\$ -	\$ -

Business Type Activities: Investment Type	Fair Value	Investment Maturities (in years)			
		Less than One Year	One to less than Five	Five to less than Ten	Ten Years and Greater
Money Market Investment	\$ 567,119,709	\$ 567,119,709	\$ -	\$ -	\$ -
US Treasury	151,154,569	5,024,985	26,841,496	35,939,719	83,348,369
Government Obligations	122,408,395	29,240,796	65,368,330	13,582,173	14,217,096
Private Equity	1,006,050	-	1,006,050	-	-
Guaranteed Investment Contracts	224,532,714	9,352,805	38,092,537	52,207,195	124,880,177
Total	\$ 1,066,221,437	\$ 610,738,295	\$ 131,308,413	\$ 101,729,087	\$ 222,445,642

XI. Custodial Credit Risk

Custodial credit risk is the risk that the IFA will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counter party fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of IFA, and are held by either the counterparty of the counterparty's trust department of agent but not in IFA's name.

IFA's Investment Policy Statement includes the following provisions:

- Securities purchased from any bank or dealer, including collateral when appropriate, shall generally be placed with the appropriate trustee or with an independent third party for safekeeping.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- Any security that is wireable over the FedWire will be safe kept in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.
- Non-FedWirable securities held by the Depository Trust Corporation (DTC) shall be held in the name of the IFA or trustee through the appropriate custodial bank. Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for the IFA or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by the IFA or the appropriate trustee).
- Delivery vs. Payment -- All securities will be held in accounts in the name of the IFA or the appropriate trustee. Securities will be deposited prior to release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

There was no custodial credit risk for investments.

XII. Credit Risk

IFA's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub asset classes and or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2009 are as follows:

Governmental Type Activities:

Investment Type	S & P	Moody's	Fitch	Fair Value
Money Market Investment	AAAm	Aaa	AAA/V-1+	\$ 276,385,030
	AAAm	Aaa	NR	25,912,800
	AAAm	NR	NR	3,106,709
	NR	NR	NR	1,069
				<u>\$ 305,405,608</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Business Type Activities:

<u>Investment Type</u>	<u>S & P</u>	<u>Moodys</u>	<u>Fitch</u>	<u>Fair Value</u>
Money Market Investment	AAAm	Aaa	AAA/V-1+	\$ 325,119,002
	AAAm	Aaa	AAA	2,056,771
	AAAm	Aaa	NR	186,807,378
	unrated	unrated	unrated	53,136,558
US Treasury	AAA	Aaa	AAA	151,154,569
Government Obligations	AAA	Aaa	AAA	107,708,600
	AAA	Aaa	unrated	2,991,491
	unrated	Aaa	AAA	11,578,854
	unrated	Aaa	unrated	129,450
Private Equity Investments	unrated	unrated	unrated	1,006,050
Guaranteed Investment Contracts	AAA	unrated	AA	95,998,291
	AA	unrated	unrated	99,797,525
	A	unrated	unrated	28,736,898
				<u>\$ 1,066,221,437</u>

XIII. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. Under IFA's Investment Policy Statement, Investments shall be diversified by type of security and institution. Except for cash equivalents, Indenture purpose investments, and United States Government Securities, the total portfolio shall consist of no more than (approximately) 40% of any single type of security. At June 30, 2009, there were no concentrations of credit risk.

XIV. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investments are not included as allowable investments per IFA's policy. There was no foreign currency risk exposure at June 30, 2009.

XV. Securities Lending

In prior years the Interstate Bridge Fund had investments in United States Treasury Bills held and controlled by the State Treasurer, which is used in securities lending transactions. The State Treasurer is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The State Treasurer may not deposit aggregate funds in deposit

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

accounts in any one designated depository in an amount aggregating at any one time more than 50 percent of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities.

Collateral securities and cash are initially pledged at 102 percent of the market value of the securities lent. The collateral securities cannot be pledged or sold by the State Treasurer unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. The contracts with custodians require them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2009, the investments had no credit risk exposure on securities lending.

XVI. Deposit Risks

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the two demand deposit accounts are carried at cost and are insured up to \$250,000 each. Deposits in the demand accounts held in excess of \$250,000 are not collateralized.

The carrying amount of demand deposits was \$2,080,325, and bank balances were \$2,253,795. IFA's maximum risk was \$1,942,856 at June 30, 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 4 - LOANS RECEIVABLE

The IFA has four programs that provide loans to qualified participants including:

Governmental Activities:

- 1) **Environmental Remediation Revolving Loan Fund (Brownfields)** - Loans facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues. Net loans receivable were \$4,986,521 at June 30, 2009.
- 2) **Stadium\Convention Center Expansion Project** - Loans provided to the Indiana Stadium and Convention Center Building Authority (ISCBA) for the construction of Lucas Oil Stadium and the expansion of the Indianapolis Convention Center. Loans receivable were \$995,613,542 at June 30, 2009.

Business-Type Activities:

- 3) **State Revolving Fund Loan Program** - Low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. Net loans receivable were \$1,738,627,080 at June 30, 2009.
- 4) **Supplemental Fund** - Low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure. Net loans receivable were \$14,335,001 at June 30, 2009.

Additional disclosures are provided below for each loan program:

1) Environmental Remediation Revolving Loan Fund (Brownfields)

Loans receivable were comprised of the following at June 30, 2009:

Loans receivable - gross	\$ 5,907,459
Less: allowance for uncollectible loans	(59,000)
Less: allowance for forgivable portion of Brownfield loans	<u>(861,938)</u>
	<u>\$ 4,986,521</u>

There were approximately thirty-two loans and advances outstanding with Indiana municipalities at June 30, 2009. Approximately \$1,038,000 was available for disbursement on two outstanding loan commitments. Interest earned on these loans during the year ended June 30, 2009 was approximately \$148,000 and accrued interest was approximately \$27,000 at June 30, 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
- For the year ended June 30, 2009

NOTE 4- LOANS RECEIVABLE (Continued)

The program includes a partially forgivable loan program with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. IFA has recorded an allowance that represents the current amount available for forgiveness on loans that qualified under the program.

2) Stadium\Convention Center Project

Loans receivable is equal to the balance of the Stadium and Convention Center bonds issued by the IFA.

Stadium	\$ 666,525,000
Convention Center	<u>329,088,542</u>
	<u>\$995,613,542</u>

Interest earned on loans receivable was \$53,021,987 during the year ended June 30, 2009 and accrued interest on loans was approximately \$3,200,000 at June 30, 2009.

Due to the nature of the financing of these loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2009.

3) State Revolving Fund Loan Program

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

Wastewater Fund	\$1,472,736,290
Drinking Water Fund	<u>267,588,523</u>
	\$1,740,324,813
Less: allowance for forgivable portion - Wastewater	(394,471)
Less: allowance for forgivable portion - Drinking Water	<u>(1,303,262)</u>
	<u>\$1,738,627,080</u>

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Interest earned on loans receivable was approximately \$57,000,000 during the year ended June 30, 2009 and accrued interest on loans was approximately \$18,450,000 at June 30, 2009.

Due to the nature of the financing under the loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 4- LOANS RECEIVABLE (Continued)

4) Supplemental Fund

Loans receivable were comprised of the following at June 30, 2009:

Loans receivable - gross	\$ 14,480,001
Less: allowance for uncollectible loans	<u>(145,000)</u>
	<u>\$ 14,335,001</u>

There were approximately forty-nine loans and advances outstanding with Indiana municipalities for drinking water and wastewater projects at June 30, 2009. Interest earned on these loans during the year ended June 30, 2009 was approximately \$298,000 and accrued interest was approximately \$130,000 at June 30, 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 5 - CAPITAL ASSETS

Capital assets used in governmental activities included the following for the State Office Building Commission Program, Indiana Finance Authority, Environmental Remediation Revolving Loan Fund, and Business Development Fund:

Governmental Activities:

	Balance at July 1, 2008	Increases	Decreases	Balance at June 30, 2009
Capital assets, not being depreciated				
Land	\$ 54,807,366	\$ -	\$ -	\$ 54,807,366
Infrastructure	-	-	-	-
Construction in progress	19,871,410	14,054,001	-	33,925,411
Total capital assets, not being depreciated	<u>74,678,776</u>	<u>14,054,001</u>	<u>-</u>	<u>88,732,777</u>
Capital assets being depreciated:				
Buildings and improvements	1,070,246,925	971,699	-	1,071,218,624
Furniture, machinery and equipment	6,294,249	1,112,961	-	7,407,210
Total capital assets, being depreciated	<u>1,076,541,174</u>	<u>2,084,660</u>	<u>-</u>	<u>1,078,625,834</u>
Less accumulated for:				
Buildings and improvements	281,496,065	26,954,690	-	308,450,755
Furniture, machinery and equipment	1,610,816	863,482	-	2,474,298
Total accumulated depreciation	<u>283,106,881</u>	<u>27,818,172</u>	<u>-</u>	<u>310,925,053</u>
Total capital assets being depreciated, net	<u>793,434,293</u>	<u>(25,733,512)</u>	<u>-</u>	<u>767,700,781</u>
Capital assets, net	<u>\$ 868,113,069</u>	<u>\$ (11,679,511)</u>	<u>\$ -</u>	<u>\$ 856,433,558</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 5 - CAPITAL ASSETS (Continued)

Capital assets used in business-type activities included the following for the Toll Bridge Fund, Indiana Toll Road Lease Program, Indiana Health and Educational Finance Authority, Recreational Development Commission Program, and State Revolving Fund Program:

Business-type Activities:

	Balance at July 1, 2008	Increases	Decreases	Balance at June 30, 2009
Capital assets, not being depreciated				
Land	\$ 31,126,793	\$ -	\$ 49,331	\$ 31,077,462
Infrastructure	267,509,606	8,868,263	-	276,377,869
Construction in progress	45,709,210	75,648,074	704,547	120,652,737
Total capital assets, not being depreciated	<u>344,345,609</u>	<u>84,516,337</u>	<u>753,878</u>	<u>428,108,068</u>
Capital assets being depreciated:				
Buildings and improvements	118,167,842	2,428,543	-	120,596,385
Furniture, machinery and equipment	32,056,809	13,633	1,000,908	31,069,534
Total capital assets, being depreciated	<u>150,224,651</u>	<u>2,442,176</u>	<u>1,000,908</u>	<u>151,665,919</u>
Less accumulated for:				
Buildings and improvements	57,714,738	3,653,114	-	61,367,852
Furniture, machinery and equipment	2,218,609	3,131,751	-	5,350,360
Total accumulated depreciation	<u>59,933,347</u>	<u>6,784,865</u>	<u>-</u>	<u>66,718,212</u>
Total capital assets being depreciated, net	<u>90,291,304</u>	<u>(4,342,689)</u>	<u>1,000,908</u>	<u>84,947,707</u>
Capital assets, net	<u>\$ 434,636,913</u>	<u>\$ 80,173,648</u>	<u>\$ 1,754,786</u>	<u>\$ 513,055,775</u>

At June 30, 2009, the IFA had construction and related cost commitments as follows:

Governmental Activities:

Highway Revenue Bonds - Construction contract commitments were approximately \$10,900,000 for direct finance lease projects financed with proceeds of Series 2003A and 2004A.

Business-Type Activities:

Indiana Toll Road Lease Fund - Commitments related to the Indiana Toll Road were approximately \$77,000 for road and bridge projects and \$5,500,000 for environmental remediation projects.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 6 - CAPITAL LEASES

The IFA's future minimum lease amounts receivable under capital leases were as follows:

Governmental Activities:

	Principal	Interest	Future Minimum Lease Receipts
Principal:			
June 30, 2010	\$ 40,755,035	\$ 61,069,818	\$ 101,824,853
June 30, 2011	42,757,837	59,002,996	101,760,833
June 30, 2012	44,354,129	56,821,963	101,176,092
June 30, 2013	45,752,124	54,342,140	100,094,264
June 30, 2014	48,944,709	51,476,948	100,421,657
2015 - 2019	282,157,103	218,797,809	500,954,912
2020 - 2024	352,027,126	145,903,444	497,930,570
2025 - 2029	441,042,744	56,131,763	497,174,507
	<u>1,297,790,807</u>	<u>703,546,881</u>	<u>2,001,337,688</u>
Less remaining accretion / premium (discount)	(26,520,460)	-	(26,520,460)
	<u>\$ 1,271,270,347</u>	<u>\$ 703,546,881</u>	<u>\$ 1,974,817,228</u>

Business-type Activities:

	Principal	Interest	Future Minimum Lease Receipts
Principal:			
June 30, 2010	\$ 15,745,000	\$ 7,870,692	\$ 23,615,692
June 30, 2011	15,985,000	7,268,951	23,253,951
June 30, 2012	16,255,000	6,575,068	22,830,068
June 30, 2013	16,660,000	5,782,665	22,442,665
June 30, 2014	17,045,000	4,944,373	21,989,373
2015 - 2019	90,355,000	11,439,595	101,794,595
	<u>\$ 172,045,000</u>	<u>\$ 43,881,344</u>	<u>\$ 215,926,344</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 6 - CAPITAL LEASES (Continued)

IFA's changes in capital leases were as follows based on type of activity:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Amounts Due Within One Year	Amount Due Thereafter
Governmental Activity						
Highway Revenue Bonds	\$ 1,304,661,675	\$ 5,453,672	\$ 38,845,000	\$ 1,271,270,347	\$ 40,755,035	\$ 1,230,515,312
Business-Type Activity						
Airport Facilities	179,140,000	-	14,030,000	165,110,000	15,105,000	150,005,000
Aviation Technology Center	7,555,000	-	620,000	6,935,000	640,000	6,295,000
	<u>186,695,000</u>	<u>-</u>	<u>14,650,000</u>	<u>172,045,000</u>	<u>15,745,000</u>	<u>156,300,000</u>
Total	<u>\$ 1,491,356,675</u>	<u>\$ 5,453,672</u>	<u>\$ 53,495,000</u>	<u>\$ 1,443,315,347</u>	<u>\$ 56,500,035</u>	<u>\$ 1,386,815,312</u>

Capital lease interest rates are structured based on the related bonds principal and interest schedules that are reflected in Note 7 of the financial statements for each bond issue.

Highway Revenue Bonds

The IFA issues its highway revenue bonds to finance and refinance highway and bridge projects, as follows:

- INDOT leases right-of-way and other property, on which a highway or bridge project is to be situated, to the IFA under a ground lease agreement and supplement for the particular project.
- INDOT constructs the project for the IFA under a construction agreement and supplement for the particular project.
- Once constructed, IFA leases the project to INDOT under a master lease agreement and supplement for the particular project.

Lease payments made by INDOT under the master lease and supplements are used to pay debt service on the highway revenue bonds when due.

Under the construction and other agreement and supplements for the highway and bridge projects, the IFA reimburses INDOT for construction and design costs incurred by INDOT. Costs not yet reimbursed are recorded in the construction fund as accrued expenses. There were no construction and design costs recognized as additions to capital leases and capital outlay reimbursements to INDOT during fiscal year 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 6 - CAPITAL LEASES (Continued)

Airport Facilities

To finance the construction of the Indianapolis Maintenance Center (IMC) at Indianapolis International Airport, the IFA, the City of Indianapolis (the City) and the Indianapolis Airport Authority (the IAA) entered into a number of agreements, including leases, providing for the acquisition, construction, equipping and financing of the IMC (collectively, the Joint Venture).

Under the Joint Venture, the IFA's undivided interest as a tenant in the IMC is determined in proportion to the money it contributes to the acquisition, construction and equipping of the IMC from proceeds of the IFA's revenue bonds issued to finance the IMC. The City's and the IAA's undivided interests are established in the same way, but by reference to the amount of money they contribute to the IMC from their revenue bond proceeds.

The IFA leases its undivided interest in the IMC to the IAA. Upon termination of that lease, the IAA will succeed to the IFA's interest in the Joint Venture. The IAA is obligated to pay the IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly.

Aviation Technology Center

The Aviation Technology Center Lease Revenue Bonds were issued to finance and refinance an aviation technology education center at the Indianapolis International Airport. The center is used by Vincennes and Purdue universities to provide a variety of aviation-related post secondary education programs. The IFA leases the center to the IAA under a lease agreement. The IAA is obligated to pay to the IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly. The IAA is not obligated to use any other revenue to pay such lease rentals. The IFA leases the ground on which the center is situated from the IAA under a ground lease agreement. Upon termination of the ground lease agreement, the center will become property of the IAA.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 7 - LONG-TERM DEBT ACTIVITY

During the fiscal year ended June 30, 2009, the debt service requirements for bonds payable under governmental and business activities were as follows:

Governmental Activities:

	Highway Revenue	State Office Building Commission	Stadium & Convention Center Projects	Governmental Total
Principal:				
June 30, 2010	\$ 41,105,000	\$ 48,255,000	\$ 8,565,000	\$ 97,925,000
June 30, 2011	43,125,000	49,770,000	9,125,000	102,020,000
June 30, 2012	44,735,000	58,225,000	1,000,000	103,960,000
June 30, 2013	46,145,000	62,620,000	-	108,765,000
June 30, 2014	49,365,000	60,555,000	660,000	110,580,000
2015 - 2019	284,580,000	278,400,000	19,715,000	582,695,000
2020 - 2024	355,050,000	184,670,000	57,860,000	597,580,000
2025 - 2029	444,830,000	45,445,000	121,970,000	612,245,000
2030 - 2034	-	-	331,615,000	331,615,000
2035 - 2039	-	-	445,245,000	445,245,000
	<u>1,308,935,000</u>	<u>787,940,000</u>	<u>995,755,000</u>	<u>3,092,630,000</u>
Remaining accretion / premium (discount)/ loss on advanced refunding	<u>(48,095,633)</u>	<u>11,009,470</u>	<u>(141,458)</u>	<u>(37,227,621)</u>
	<u>\$ 1,260,839,367</u>	<u>\$ 798,949,470</u>	<u>\$ 995,613,542</u>	<u>\$ 3,055,402,379</u>
Interest:				
June 30, 2010	\$ 61,069,818	\$ 38,769,439	\$ 38,321,934	\$ 138,161,191
June 30, 2011	59,002,996	36,286,368	41,988,862	137,278,226
June 30, 2012	56,821,963	33,543,334	42,065,288	132,430,585
June 30, 2013	54,342,140	30,548,970	42,030,885	126,921,995
June 30, 2014	51,476,948	27,429,686	42,024,412	120,931,046
2015 - 2019	218,797,809	90,588,699	208,946,665	518,333,173
2020 - 2024	145,903,444	29,795,534	200,661,250	376,360,228
2025 - 2029	56,131,763	4,302,106	184,897,313	245,331,182
2030 - 2034	-	-	136,065,210	136,065,210
2035 - 2039	-	-	56,306,191	56,306,191
	<u>\$ 703,546,881</u>	<u>\$ 291,264,136</u>	<u>\$ 993,308,010</u>	<u>\$ 1,988,119,027</u>
Total Debt Service	<u>\$ 1,964,386,248</u>	<u>\$ 1,090,213,606</u>	<u>\$ 1,988,921,552</u>	<u>\$ 5,043,521,406</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

Business-type Activities:

	Enterprise				Internal Service	
	Airport Facilities	Aviation Technology Center	State Revolving Program Fund	Total	Recreational Development Commission	Business-type Total
Principal:						
June 30, 2010	\$ 15,105,000	\$ 640,000	\$ 79,190,000	\$ 94,935,000	\$ 1,940,000	\$ 96,875,000
June 30, 2011	15,315,000	670,000	85,005,000	100,990,000	2,070,000	103,060,000
June 30, 2012	15,555,000	700,000	89,060,000	105,315,000	2,200,000	107,515,000
June 30, 2013	15,930,000	730,000	93,050,000	109,710,000	2,375,000	112,085,000
June 30, 2014	16,285,000	760,000	100,175,000	117,220,000	2,525,000	119,745,000
2015 - 2019	86,920,000	3,435,000	555,915,000	646,270,000	12,490,000	658,760,000
2020 - 2024	-	-	480,355,000	480,355,000	3,055,000	483,410,000
2025 - 2029	-	-	180,865,000	180,865,000	765,000	181,630,000
	<u>165,110,000</u>	<u>6,935,000</u>	<u>1,663,615,000</u>	<u>1,835,660,000</u>	<u>27,420,000</u>	<u>1,863,080,000</u>
Remaining accretion / premium (discount) / loss on advanced refunding	-	-	52,359,059	52,359,059	(496,966)	51,862,093
	<u>\$ 165,110,000</u>	<u>\$ 6,935,000</u>	<u>\$ 1,715,974,059</u>	<u>\$ 1,888,019,059</u>	<u>\$ 26,923,034</u>	<u>\$ 1,914,942,093</u>
Interest:						
June 30, 2010	\$ 7,560,660	\$ 310,033	\$ 82,976,125	\$ 90,846,818	\$ 1,198,330	\$ 92,045,148
June 30, 2011	6,985,554	283,398	79,306,547	86,575,499	1,126,636	87,702,135
June 30, 2012	6,320,299	254,769	75,335,556	81,910,624	1,046,328	82,956,952
June 30, 2013	5,558,500	224,165	71,020,592	76,803,257	958,051	77,761,308
June 30, 2014	4,753,125	191,248	66,308,250	71,252,623	860,590	72,113,213
2015 - 2019	11,053,250	386,345	250,920,035	262,359,630	2,564,819	264,924,449
2020 - 2024	-	-	109,388,646	109,388,646	400,425	109,789,071
2025 - 2029	-	-	18,679,440	18,679,440	34,763	18,714,203
	<u>\$ 42,231,388</u>	<u>\$ 1,649,958</u>	<u>\$ 753,935,191</u>	<u>\$ 797,816,537</u>	<u>\$ 8,189,942</u>	<u>\$ 806,006,479</u>
Total Debt Service	<u>\$ 207,341,388</u>	<u>\$ 8,584,958</u>	<u>\$ 2,469,909,250</u>	<u>\$ 2,685,835,596</u>	<u>\$ 35,112,976</u>	<u>\$ 2,720,948,572</u>

Changes in long-term liabilities were as follows, based on type of activity:

	Balance at July 1, 2008	Increases	Decreases	Balance at June 30, 2009	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities:						
Revenue bonds and notes payable	\$ 2,769,204,767	\$ 393,557,979	\$ 107,360,367	\$ 3,055,402,379	\$ 97,925,000	\$ 2,957,477,379
Due to primary government	338,658	-	338,658	-	-	-
Due to federal government	292,185	-	-	292,185	-	292,185
Bond Anticipation Notes	27,915,905	-	27,915,905	-	-	-
Deferred revenue	2,850,000	-	75,000	2,775,000	75,000	2,700,000
	<u>\$ 2,800,601,515</u>	<u>\$ 393,557,979</u>	<u>\$ 135,689,930</u>	<u>\$ 3,058,469,564</u>	<u>\$ 98,000,000</u>	<u>\$ 2,960,469,564</u>
Business-Type Activities:						
Revenue bonds payable	\$ 2,005,024,026	\$ 80,531	\$ 90,162,466	\$ 1,914,942,091	\$ 96,875,000	\$ 1,818,067,093
Due to primary government	66	-	-	66	66	-
Due to federal government	6,351,215	1,212,060	-	7,563,275	1,676,901	5,886,374
Deferred revenue	3,669,348,762	-	63,483,708	3,605,865,054	63,483,708	3,542,381,345
Pollution Remediation	-	5,498,354	-	5,498,354	1,209,608	4,288,746
	<u>\$ 5,680,724,069</u>	<u>\$ 6,790,945</u>	<u>\$ 153,646,174</u>	<u>\$ 5,533,868,840</u>	<u>\$ 163,245,283</u>	<u>\$ 5,370,623,558</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

The following is a summary of long-term debt outstanding at June 30, 2009, for each fund with the activity categories:

	<u>Future Interest Rate Range</u>	<u>Maturity Range</u>	<u>Annual Principal Payment Range</u>	<u>Amount Outstanding</u>
Governmental Activities:				
Highway Revenue	3.75% to 7.25%	2009 to 2029	36,929,000 to 96,240,000	\$ 1,260,839,367
State Office Building Commission	1.30% to 7.48%	2009 to 2028	\$10,480,000 to \$66,780,000	798,949,470
Stadium Project	3.84% to 4.28%	2010 to 1037	\$660,000 to \$70,550,000	666,525,000
Convention Center Project	1.30% to 5.12%	2012 to 2039	\$225,000 to \$99,430,000	329,088,542
				<u>\$ 3,055,402,379</u>
Business-type Activities:				
Airport Facilities	3.13% to 4.43%	2009 to 2019	\$15,105,000 to \$18,145,000	\$ 165,110,000
Aviation Technology Center	4.04% to 5.00%	2009 to 2018	\$640,000 to \$920,000	6,935,000
State Revolving Loan Fund	3.40% to 5.50%	2009 to 2029	\$1,195,000 to \$122,785,000	1,715,974,059
Recreational Development Commission	2.73% to 5.70%	2009 to 2026	\$315,000 to \$2,680,000	26,923,034
				<u>\$ 1,914,942,093</u>

Variable rate long-term debt terms are as follows:

<u>Bond Series</u>	<u>Outstanding Amount</u>	<u>Interest Rate (Range)</u>	<u>Notes</u>
Stadium Project 2005A	\$ 400,000,000	0.40% to 8.00%	(1)
Stadium Project 2007A	211,525,000	0.34% to 7.90%	(1)
Stadium Project 2008A	55,000,000	0.25% to 9.00%	(2)
Convention Center Project 2008A	120,000,000	0.35% to 7.92%	(3)
Total Variable Rate Debt	<u>\$ 786,525,000</u>		

Notes on Variable Rate Terms:

- (1) Hedged, tax-exempt variable rate debt. An interest rate swap commenced for these bonds on August 15, 2008 with the IFA receiving the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA) and paying the swap counterparties a fixed rate of 4.231%. The 2005A and 2007A Bonds are secured by a Standby Bond Purchase Agreement (SBPA) in the amount of \$620,823,531, which expires March 28, 2011. The 2005A and 2007A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Indiana Stadium and Convention Building Authority (ISCBA), pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2005A and 2007A Bonds are subject to

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

optional redemption by the IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2005A and 2007A Bonds for the fiscal year was 2.34%.

- (2) Partially hedged, tax-exempt variable rate debt. An interest rate swap with a notional amount of \$46,875,000 commenced for these bonds on August 15, 2008 with the IFA receiving SIFMA and paying the swap counterparties a fixed rate of 3.796%. The 2008A Bonds are secured by a SBPA in the amount of \$55,836,302, which expires July 22, 2011. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the ISCBA, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by the IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for the fiscal year was 1.42%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 4.00%.
- (3) Partially hedged, tax-exempt variable rate debt. An interest rate swap with a notional amount of \$98,114,750 commencing for these bonds on December 1, 2010 with the IFA receiving SIFMA and paying the swap counterparties a fixed rate of 4.556%. The 2008A Bonds are secured by a SBPA in the amount of \$121,824,658, which expires August 19, 2011. The 2008A Bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the ISCBA, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A Bonds are subject to optional redemption by the IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A Bonds for the fiscal year was 1.71%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A Bonds is 4.00%.

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreement: In order to protect against the potential of rising interest rates, the IFA entered into three separate pay-fixed, receive-variable interest rate swaps.

Terms, fair values, and credit risk. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2009, were as follows. The notional amounts of the swaps match the anticipated principal amounts of the associated debt. The IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "bonds payable" category.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date
2005/2007 Stadium Project	\$ 611,525,000	8/15/2008	4.231%	SIFMA*	\$ (57,382,218)	2/1/2037
2008 Stadium Project	46,875,000	8/15/2008	3.796%	SIFMA*	(1,555,711)	2/1/2035
Convention Center	98,114,750	12/1/2010	4.556%	SIFMA*	(8,829,722)	2/1/2039
	<u>\$ 756,514,750</u>				<u>\$ (67,767,651)</u>	

* The Securities Industry and Financial Markets Association Municipal Swap Index.

The Swap counterparties include JP Morgan Chase Bank, Goldman Sachs Bank USA, and The Bank of New York Mellon. They were rated by Moody's as being Aa1, Aa3, and Aaa, respectively.

Termination Risk. The IFA or the Swap Provider may terminate the Swap if the other party fails to perform under the terms of the contract (as defined by the Swap Agreement). If at the time of termination, the Swap has a positive fair value, the Swap providers would be liable to the IFA for a payment equal to the Swap's fair value.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 8 - BOND REFUNDINGS AND ESCROW BALANCES ON BONDS

The IFA analyzes its various bond issues to determine if any opportunities exist for debt service requirement savings through the refinancing of long-term debt. IFA had refunding and defeasance activity as reported below. In addition, current period and previous refundings and defeasances had remaining bonds outstanding being paid from escrow accounts that are not included in the IFA financial records based on accounting guidance.

Bond Refundings and Defeasances: The following represents bond refunding and defeasance during the year ended June 30, 2009:

Governmental Activities:

- **State Office Building Commission:**

On December 4, 2008, the IFA issued \$96,475,000 of Facilities Revenue Refunding Bonds, Series 2008 A, B, and C bonds, which refunded Series 2000A, 2000B, and 2001A bonds. The refunding was undertaken to take advantage of a low all-in fixed rate and eliminate exposure to the existing liquidity provider, Depfa Bank plc, who experienced various short-term and long-term ratings downgrades in late September. The proceeds were deposited in an escrow fund, which will pay principal and interest for the defeased debt.

On February 17, 2009, the IFA issued \$61,185,000 of Facilities Revenue Refunding Bonds, Series 2009 A and B bonds, which refunded Series 1998A and 1999A bonds. The refunding was undertaken to reduce total future debt service payments. The proceeds were deposited in an escrow fund, which will pay principal and interest for the defeased debt. As a result of the refunding, an economic gain, or present value savings, of \$5.04 million was realized and future debt service payments were reduced by \$5.25 million.

Escrow Balances on Refunded and Defeased Bonds: The IFA has the following bond issues that have been refunded, but have remaining principal balances to be paid by escrow agents' accounts. The refunded bonds are not reported as a debt of the IFA since payment of principal and interest are from escrowed funds and investment earnings. Activity includes:

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 8 - BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

Governmental Activities:

- **State Office Building Commission** - The IFA issued Facilities Revenue Refunding Bonds, Series 2003 C and D bonds, which were used to refund certain Series 1995 A and B bonds. The IFA issued Facilities Revenue Refunding Bonds, Series 2004 A, B, and C bonds, which were used to refund certain Series 1999A, 2002A, and 2003A bonds. The IFA issued Facilities Revenue Refunding Bonds, Series 2009 A and B bonds, which were used to refund certain Series 1998A and 1999A bonds. At June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$217,800,000.
- **Highway Revenue** - The IFA issued Highway Revenue Bonds, Series 2000, which were used to refund certain Highway Revenue Bonds, Series 1990A and 1993A bonds. The IFA issued Series 2004 B and C bonds, which were used to refund certain Series 2000, and Series 2003A bonds. The IFA issued Series 2008A bonds, which were used to refund certain Series 2000A, 2003A, and 2004A bonds. As of June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$842,060,000.

Business-Type Activities:

- **State Revolving Fund** - The IFA issued Series 2005A Refunding Bonds for the aggregate amount of \$277,930,000, which included \$258,815,000 of refunding debt. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 2000A, 2000B, 2001A, and 2002B bonds. In March 2008, the IFA cash defeased the remaining maturities of the Series 2000A bonds. A cash deposit of \$30,585,073 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling \$28,725,000. At June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$193,350,000.
- **Indiana Toll Road** - In 1985, the IFA issued \$256,970,000 of Indiana Toll Road Revenue Refunding Bonds, Series 1985, to refund the Indiana Toll Road Bonds, 1980 Series. At June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$107,965,000.
- **Airport Facilities** - In December 2004, the IFA issued \$204,550,000 of Airport Facilities Multi-Mode Lease Revenue Refunding Bonds, 2004 Series, which refunded Series 1996A bonds. At June 30, 2009, the amount of defeased debt still outstanding, but no longer considered long-term debt, was \$38,365,000.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 8 - BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

Conduit Debt Obligations: The IFA is authorized by law to issue conduit and certain other types of revenue bonds to finance projects that serve Indiana public purposes outlined by statute. Except as described below, IFA's revenue bonds are payable solely from revenues of IFA specifically pledged thereto. The bonds are not in any respect a general obligation of IFA or the State, nor are they payable in any manner from revenues raised by taxation. IFA has no power to levy taxes. Pursuant to this authority, IFA has issued numerous revenue bonds.

The IFA has issued debt obligations on behalf of certain manufacturers, utilities, 503c organizations, health and higher education facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes, and other obligations and the interest thereof do not constitute debt or liability of the IFA, the State of Indiana, or any political subdivision thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The IFA has outstanding conduit debt of \$10.333 billion outstanding at June 30, 2009.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 9 - UNAMORTIZED BOND ISSUANCE COSTS AND DEFERRED CHARGES, NET

Bond issuance costs and deferred charges associated with long-term debt at June 30, 2009 were \$15,466,681 and include the following activities:

Governmental Activities:

- State Office Building Commission – Amounts include bond issuance costs and other deferred charges, which are being amortized using the interest method over the life of the related bond issue.

Gross amount	\$ 19,467,712
Accumulated amortization	<u>(12,347,904)</u>
Net amount	<u>\$ 7,119,808</u>

Amortization expense for the year ended June 30, 2009 was approximately \$948,000. At June 30, future amortization of deferred charges is estimated as follows

2010	\$ 1,089,789
2011	1,009,694
2012	924,954
2013	749,206
2014	652,202
Thereafter	<u>2,693,963</u>
	<u>\$ 7,119,808</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 9 - UNAMORTIZED BOND ISSUANCE COSTS AND DEFERRED CHARGES, NET
(Continued)

Business Type Activities:

- **State Revolving Fund Program** – Amounts represent bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Bond issuance costs	\$ 16,814,629
Accumulated amortization	<u>(8,850,058)</u>
Net amount	<u>\$ 7,964,571</u>

Amortization expense for the year ended June 30, 2009 was approximately \$1,075,000. Future amortization of deferred charges is as follows at June 30:

2010	\$ 988,835
2011	908,574
2012	829,007
2013	769,731
2014	708,114
Thereafter	<u>3,760,310</u>
	<u>\$ 7,964,571</u>

- **Recreational Development Commission** - Amounts represent bond issuance costs, which are amortized using the interest method over the life of the related bond issue.

Bond issuance costs	\$ 667,540
Accumulated amortization	<u>(285,238)</u>
Net amount	<u>\$ 382,302</u>

Amortization expense for the year ended June 30, 2009 was approximately \$41,000. Future amortization is estimated as follows at June 30:

2010	\$ 40,653
2011	40,653
2012	40,653
2013	40,653
2014	40,653
Thereafter	<u>179,037</u>
	<u>\$ 382,302</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 10- OPERATING LEASE COMMITMENTS

The IFA has the following operating lessee and lessor agreements:

Lessee - Governmental Activities

- **General Fund-** The IFA currently leases office space pursuant to a non-cancelable operating lease expiring in March 2011. The future total minimum rental payments of approximately \$295,000 range from \$146,000 to \$148,000 per year from 2010 through 2011. Rental expense for the operating lease was approximately \$180,000 for the year ended June 30, 2009.

Lessor - Governmental Activities

- **State Office Building Commission - Operating lease activity included:**
 - The Commission leases state facilities to the Indiana Department of Administration based on use and occupancy agreements. The annual lease terms provide for renewals through supplement agreements. The lease rental payments are based on administrative costs, aggregate debt service requirements on related long-term debt, debt service reserve requirements, and replacement reserve for maintenance and improvements of facilities. During the year ended June 30, 2009, lease revenue of approximately \$106 million was recognized.
 - In March of 1995, the Commission entered into a twenty-five year land lease agreement with the White River State Park Development Commission (WRSPDC) to lease a portion of the White River State Park for \$1 per year while providing in excess of \$15,000,000 of infrastructure improvements.
 - On April 14, 1998, the Commission purchased the IMAX Theatre building and land in White River State Park from the State for \$10,000,000. Additionally, the Commission entered into a one hundred-year land lease agreement to lease certain real estate surrounding the IMAX Theatre building from the State for \$1 per year. This real estate was required to be used to construct the Indiana State Museum and a parking garage.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 10- OPERATING LEASE COMMITMENTS (Continued)

Lessor - Business-Type Activities

- **Indiana Toll Road** - On June 29, 2006, the Indiana Toll Road was leased for approximately \$3.765 billion and a term of 75 years to the Indiana Toll Road Concession Company, LLC. The entire amount was paid up front and there are no additional lease payments due for the remainder of the term of the lease. The IFA recorded the transaction as an operating lease and recorded the payment as deferred revenue. Lease rental revenue net of related costs, totaling \$3.705 billion, will be recognized on a straight-line basis over the life of the 75-year lease. The unamortized portion of this revenue (in thousands) will be recognized as follows for the fiscal years ending June 30:

2010	\$	49,396
2011		49,396
2012		49,396
2013		49,396
2014		49,396
2015 - 2019		246,977
2020 - 2024		246,977
2025 - 2029		246,977
2030 - 2034		246,977
2035 - 2039		246,977
2040 - 2044		246,977
2045 - 2049		246,977
2050 - 2054		246,977
2055 - 2059		246,977
2060 - 2064		246,978
2065 - 2069		246,978
2070 - 2074		246,978
2075 - 2079		246,978
2080 - 2081		98,792
Total		\$ 3,556,477

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 10- OPERATING LEASE COMMITMENTS (Continued)

Recreational Development Commission - The Commission leases various facilities to the Department of Natural Resources (DNR) that were constructed or renovated using bond issue proceeds. The lease is subject to the terms of the Master Use and Occupancy Agreement dated March 1, 1994, and is accounted for as an operating lease.

Although the initial agreement terminated on June 30, 1995, both parties have extended the term of this agreement until June 30, 2026. The Commission and the DNR have the right to extend the term of the agreement from biennium to biennium. The Commission and the DNR are deemed to have exercised this right to extend. The term of the Master Use and Occupancy Agreement is extended, for each successive biennium, unless either the Commission or the DNR delivers written notice of non-extension to the other party not less than three months prior to the last day of any biennium, in which event the Master Use and Occupancy Agreement will terminate on the last day of such biennium.

Minimum aggregate annual lease payments under the facilities leases are as follows for the fiscal years ending June 30:

2010	\$ 3,199,084
2011	3,248,020
2012	3,318,580
2013	3,391,180
2014	3,450,725
2015 - 2019	14,491,331
2020 - 2024	2,046,700
2025 - 2026	<u>407,550</u>
Total	<u>\$ 33,553,170</u>

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 11- INTERFUND LOANS RECEIVABLE AND PAYABLE

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded at June 30, 2009, as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 479,364	\$ -
Special Revenue Funds:		
Conduit Debt General Program Fund	-	2,139
Environmental Remediation Revolving Loan Fund	-	88,510
Enterprise Funds:		
State Revolving Fund Program	5,102	109,426
Supplemental Drinking Water & Wastewater Assistance Fd	14,279	-
Toll Road Lease	-	3,376
Recreational Development Commission	-	6,752
Health & Education Finance Fund	-	75,998
Transportation Finance Fund	-	101,272
State Office Building Commission	-	<u>101,272</u>
	<u>\$ 498,745</u>	<u>\$ 498,745</u>

NOTE 12 - POLLUTION REMEDIATION

As part of the lease agreement with the Toll Road concessionaire the IFA agreed to retain liability for sites along the Toll Road previously identified as being contaminated. IFA has contracted to clean up these sites and has recognized the \$5,500,000 remaining on the contract. In addition, IFA agreed to accept liability for any undiscovered sites that may be found in the future that originated or were caused by actions taken during the time prior to the Toll Road lease. Potential sites have been identified but no assessment has been made to determine whether IFA has any liability and therefore no estimate of the cost of remediation is available.

(Continued)

INDIANA FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended June 30, 2009

NOTE 13 - SUBSEQUENT EVENTS

The following subsequent events have been provided for users of the financial statements. None of the subsequent events resulted in charges to the financial statements at June 30, 2009.

Governmental Activities

In October 2009, the IFA altered the liquidity facilities in connection with the variable rate bonds issued for the Lucas Oil Stadium and Indiana Convention Center Projects. Following a mandatory tender of the bonds, the prior Standby Bond Purchase Agreement (SBPA) syndicates were replaced by individual SBPAs between a bank and the IFA for certain sub-series of bonds. The banks include JPMorgan Chase Bank, Barclays Bank PLC, The Bank of New York Mellon, and The Bank of Nova Scotia. The IFA will be using self-liquidity on the remaining sub-series of bonds.

NOTE 14 - PENSION PLAN

The IFA elected to become a participant in the Public Employers' Retirement Fund (PERF). The IFA contributes to the PERF, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various instrumentalities of the State. All full-time state employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the IFA the right to contribute and govern most requirements of the system, including the benefits, which vest after ten years of service. Employees who have reached age 50 may receive retirement benefits with fifteen years of service. An employee may receive benefits at age 65 with ten years of service.

Employees are required to contribute 3% of compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The IFA elected to pay its employees' 3% contribution. The employer rate of contributions was 6.3% during fiscal year 2009. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of the savings account.

(Continued)

INDIANA FINANCE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 For the year ended June 30, 2009

NOTE 14 - PENSION PLAN (continued)

PERF holds and invest all plan assets. Investments are in obligations of the U.S. Government, federal agencies, corporate bonds and equity securities. There is no (i) pension benefit obligation information, (ii) assets available for benefits at cost information or (iii) an analysis of funding disclosed in the annual financial statements. However, PERF performed an actuarial valuation of the IFA's plan as of June 30, 2009, which is included in the Annual Report of the Indiana Public Employees' Retirement Fund for state employees and employees of the various subdivisions of the State. The IFA's contributions to PERF were in accordance with the requirements computed in the actuarial valuation performed June 30, 2009, the last date available. The following shows current year pension plan information relative to contributions:

<u>Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>	<u>Annual Covered Payroll</u>	<u>Percentage of Employer Contributions to Covered Payroll</u>
2009	\$ 99,758	\$ 47,504	\$ 147,262	\$1,583,463	6.30%

Information regarding PERF may be obtained from:

Public Employees' Retirement Fund
 143 W. Market Street
 Indianapolis, IN 46204

(Continued)

PART 3 - REQUIRED SUPPLEMENTAL INFORMATION

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET - CASH BASIS
For the year ended June 30, 2009

Budget Basis of Accounting: The IFA's budget process is based on a modified cash basis and accounts for certain transactions on a basis other than GAAP. The most significant differences between the budget basis and the GAAP basis are the manner in which revenues and expenses are recorded. Under the modified cash budget basis, the portion of lease rental income apportioned to principal payments is recorded as revenue and the debt service expense portion related to principal is recorded as expense. For government wide reporting, the portion attributable to principal on capital lease assets and bonds payable are reflected as changes in assets and liabilities in the balance sheet funds and statement of net assets.

The following table shows budget and actual financial results reported under the budgetary basis of accounting. The activities of the Toll Road Lease, the Interstate Bridge Fund, and the Toll Bridge Fund are not included in the table below because these activities were not considered in the IFA budget presented.

	<u>Budget</u> <u>Total</u>	<u>Actual</u> <u>Total</u>	<u>Difference</u>
Revenue			
Lease rental income (Note 1)	\$ 276,505,686	\$ 301,376,499	\$ 24,870,813
Appropriations (Note 2)	11,162,500	2,815,500	(8,347,000)
Investment Income (Note 3)	62,353,941	112,474,975	50,121,034
Program service, advisory and fees (Note 4)	5,497,420	6,426,435	929,015
Borrower Interest Payments (Note 5)	48,430,000	57,544,145	9,114,145
EPA Grant (Note 6)	<u>28,000,000</u>	<u>29,163,678</u>	<u>1,163,678</u>
Total revenues	<u>431,949,547</u>	<u>509,801,234</u>	<u>77,851,687</u>
Debt service			
Interest (Note 7)	241,433,080	251,351,937	(9,918,857)
Principal (Note 8)	<u>195,388,077</u>	<u>184,478,959</u>	<u>10,909,118</u>
Total debt service	<u>436,821,157</u>	<u>435,830,896</u>	<u>990,261</u>
Program expenses			
Grants, loans and other program (Note 9)	<u>21,637,153</u>	<u>17,315,454</u>	<u>4,321,699</u>
Total program expenses	<u>21,637,153</u>	<u>17,315,454</u>	<u>4,321,699</u>
Administrative expenses			
Personal services	2,074,215	2,355,994	(281,779)
Other IFA operations	<u>2,548,830</u>	<u>2,872,312</u>	<u>(323,482)</u>
Total administrative expenses	<u>4,623,045</u>	<u>5,228,306</u>	<u>(605,261)</u>
Net revenues over expenses	<u>\$ (31,131,808)</u>	<u>\$ 51,426,578</u>	<u>\$ 82,558,386</u>

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET - CASH BASIS
For the year ended June 30, 2009

Note 1: Variable rate debt rates were higher than budget.

Note 2: The Indiana State General Assembly appropriated \$10 million for a three county water project in the 2008/2009 biennium. There were no draws on the appropriation in fiscal year 2008 and the entire \$10 million was budgeted in fiscal year 2009 but due to a change in scope, the IFA received only \$2 million of the appropriation.

Note 3: Realized gains on termination of Guaranteed Investment Contracts.

Note 4: More bond deals were closed than anticipated resulting in higher closing fees.

Note 5: Loan disbursements to SRF participants were accelerated and resulted in interest income being realized more quickly than forecasted.

Note 6: Received higher EPA grants than expected.

Note 7: Actual interest rates paid on variable rate debt were higher than expected but offset by the postponement of a new SRF bond issuance.

Note 8: Refinanced old State Office Building Commission bonds series 1998A, 1999A, 2000A, 2000B and 2001A and in the process restructured principal due dates.

Note 9: Lower due to the change in scope of the three county water project.

INDIANA FINANCE AUTHORITY
INDIANA TOLL ROAD INFRASTRUCTURE CONDITION RATING
For the year ended June 30, 2009

CONDITION RATING OF THE INDIANA TOLL ROAD PROJECT'S HIGHWAYS AND BRIDGES

Roads

Percentage of Lane Miles
in Fair, Good or Better Condition

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interstate Roads	89%	94%	92%

Percentage of Lane Miles
in Substandard Condition

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interstate Roads	11%	6%	8%

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of six distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in fair, good or better condition (70-100), and substandard condition (less than 70). It is the State's policy to maintain at least 80% of its road system at a fair, good or better condition level. No more than 10% should be in substandard condition. Condition assessments are determined every year.

Bridges

Average Sufficiency
Rating of Bridges

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Interstate Bridges	86.2%	86.2%	86.7%

The average sufficiency rating of the State's bridges is determined using the formula and guidelines provided by Federal Highway Administration. The bridge average sufficiency rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical sufficiency rating ranging from 0.0% (impaired or load restricted) to 100% (new). It is the State's goal to maintain an average bridge sufficiency rating of 85%. All bridges are inspected every two years.

PART 4 - OTHER SUPPLEMENTAL INFORMATION

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF NET ASSETS
June 30, 2009**

	Business Type Activities				Governmental Type Activities			
	State Revolving Fund	Recreational Development Commission	Airport Facilities Bonds	Aviation Technology Center Bonds	Toll Road Project	State Office Building Commission	Highway Revenue Bonds	Stadium and Convention Center Financing
Assets								
Current assets	\$ 605,264,738	\$ 2,500,406	\$ 29,290,085	\$ 1,822,095	\$ 9,080	\$ 233,671,188	\$ 91,827,490	\$ 11,765,115
Capital and infrastructure assets	30,567	30,243,919	-	-	-	856,384,266	-	-
Noncurrent assets	2,129,238,711	382,302	150,005,000	6,295,000	-	7,119,808	1,230,515,312	987,048,542
Total Assets	2,734,534,016	33,126,627	179,295,085	8,117,095	9,080	1,097,175,262	1,322,342,802	998,813,657
Liabilities								
Current liabilities	36,593,385	644,242	1,305,743	106,517	-	21,313,466	5,128,119	3,200,115
Long term debt, including current portions	1,715,974,059	26,923,034	165,110,000	6,935,000	-	798,949,470	1,260,839,367	995,613,542
Other noncurrent liabilities	5,886,374	-	-	-	-	2,992,185	-	-
Total liabilities	1,758,453,818	27,567,276	166,415,743	7,041,517	-	823,255,121	1,265,967,486	998,813,657
Net Assets								
Invested in capital assets, net of related debt	-	-	-	-	-	89,945,342	-	-
Unrestricted	-	5,559,351	5,310,250	1,075,450	9,080	53,124,950	19,239,270	-
Restricted	976,080,198	-	7,569,092	128	-	130,849,849	37,136,046	-
Total Net Assets	\$ 976,080,198	\$ 5,559,351	\$ 12,879,342	\$ 1,075,578	\$ 9,080	\$ 273,920,141	\$ 56,375,316	\$ -

**INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the year ended June 30, 2009**

	Business Type Activities				Governmental Type Activities			
	State Revolving Fund	Recreational Development Commission	Airport Facilities Bonds	Aviation Technology Center Bonds	Toll Road Project	State Office Building Commission	Highway Revenue Bonds	Stadium and Convention Center Financing
Operating Revenues								
Lease rental	\$ -	\$ 3,123,154	\$ 12,261,329	\$ 966,734	\$ -	\$ 105,635,381	\$ 70,900,632	\$ 52,932,329
Interest on loans	56,999,588	-	-	-	-	-	-	89,657
Other	287,794	262,489	(103,117)	-	-	4,539,781	-	-
Total Operating Revenues	57,287,382	3,385,643	12,158,212	966,734	-	110,175,162	70,900,632	53,021,986
Operating Expenses								
IFA Operations	3,215,392	232,193	11,088	70,728	-	1,984,072	659,199	-
Interest expense	81,265,891	1,387,191	8,303,529	326,664	-	42,735,405	66,842,839	53,021,986
Depreciation expense	1,080,752	1,672,379	-	-	-	28,756,942	-	-
Total Operating Expenses	85,562,035	3,291,763	8,314,617	397,392	-	73,476,419	67,502,038	53,021,986
Operating income (loss)	(28,274,653)	93,880	3,843,595	569,342	-	36,698,743	3,398,594	-
Nonoperating Revenues (Expenses)								
Investment earnings, net	106,025,823	5,752	76,258	5,507	-	2,584,138	1,053,259	-
Total nonoperating revenues (expenses)	106,025,823	5,752	76,258	5,507	-	2,584,138	1,053,259	-
Income before capital contributions and transfers	77,751,170	99,632	3,919,853	574,849	-	39,282,881	4,451,853	-
Capital contributions	29,592,049	-	-	-	-	-	-	-
Transfer in (out)	-	-	(69,880)	(69,880)	-	(1)	(6,969,324)	-
Change in net assets	107,343,219	99,632	3,849,973	504,969	-	39,282,880	(2,517,471)	-
Total net assets, beginning of year	868,736,979	5,459,719	9,029,369	570,609	9,080	234,637,261	58,892,787	-
Total net assets, end of year	\$ 976,080,198	\$ 5,559,351	\$ 12,879,342	\$ 1,075,578	\$ 9,080	\$ 273,920,141	\$ 56,375,316	\$ -

INDIANA FINANCE AUTHORITY
 SEGMENT REPORTING
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2009

	Business Type Activities				Governmental Type Activities			
	State Revolving Fund	Recreational Development Commission	Airport Facilities Bonds	Aviation Technology Center Bonds	Toll Road Project	State Office Building Commission	Highway Revenue Bonds	Stadium and Convention Center Financing
Net Cash Provided (Used) By:								
Operating activities	\$ (2,992,090)	\$ 3,179,404	\$ 12,208,141	\$ 761,836	\$ -	\$ 109,726,204	\$ 63,068,261	\$ -
Investing activities	298,344,393	(56,171)	82,706	5,929	-	(13,155,575)	1,138,344	(333,521,660)
Noncapital financing activities	(154,778,532)	-	-	-	-	-	-	-
Capital and related financing activities	11,162,946	(3,126,313)	(8,876,401)	(334,728)	-	(110,462,188)	(68,462,392)	333,521,660
Net Increase (Decrease) in Cash	151,736,717	(3,080)	3,414,446	433,037	-	(13,891,559)	(4,255,787)	-
Cash and cash equivalents, beginning	327,044,359	2,503,051	4,426,786	337,563	-	237,761,485	55,312,586	-
Cash and cash equivalents, ending	\$ 478,781,076	\$ 2,499,971	\$ 7,841,232	\$ 770,600	\$ -	\$ 223,869,926	\$ 51,056,799	\$ -

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Year Ended June 30, 2009

To the Members of the Indiana Finance Authority

We have audited the financial statements of Indiana Finance Authority (the IFA), as of and for the year ended June 30, 2009, and have issued our report thereon, dated October 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the IFA's management and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sargent & Miller, LLP

Indianapolis, Indiana
October 13, 2009