

STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program



**Annual Report
State Fiscal Year 2019
July 1, 2018 – June 30, 2019**

**Drinking Water State Revolving Fund Loan Program
Annual Report SFY 2019**

Table of Contents

I.	Introduction	1
II.	State Revolving Fund (SRF) Loan Program Management [40 CFR 35.3570(a)(3)(i)]	1
III.	Goals and Objectives of the SFY 2019 Intended Use Plan [40 CFR 35.3570(a)(1)]	1
IV.	Environmental Review [40 CFR 35.3570(a)(3)(xii-xiii)]	2
V.	State Match [40 CFR 35.3165(b)(2)]	2
VI.	Binding Commitments Exceed 120% of Grant [40 CFR 35.3165(b)(4)]	3
VII.	Expeditious and Timely Use of Funds [40 CFR 35.353550(l)]	3
	A. Interest Rates	3
	B. Terms	4
	C. Other Assistance Provided	4
	D. Administrative Expenses and Fees	5
	E. Transfers [40 CFR 35.3570(a)(3)(x)]	6
	F. Cross-collateralization [40 CFR 35.3110(f)]	6
	G. DWSRF Loan Program Financial Statements	6
	H. Federal Requirements	7
	I. Compliance with 2 CFR part 200 [40 CFR 35.3570(a)(3)(xiv)]	7
VIII.	Projects Funded [40 CFR 35.3570(a)(3)(iv)]	7
IX.	Eligibility [40 CFR 35.3570 (a)(3)(v)]	7
X.	Set-Asides [40 CFR 35.3570(a)(3)(vi)]	8
XI.	Assistance to Small Systems [40 CFR 35.3570(a)(3)(vii)]	8
XII.	Disadvantaged Communities [40 CFR 35.3570(a)(3)(viii)]	9

Exhibits:

Exhibit A:	Goals and Objectives of the DWSRF Loan Program SFY 2019 Intended Use Plan
Exhibit B:	Green Project Reserve by Capitalization Grant Year
Exhibit C:	Additional Subsidization by Capitalization Grant Year
Exhibit D:	Equivalency Projects by Capitalization Grant Year
Exhibit E:	SFY 2019 DWSRF Loan Program Project Descriptions
Exhibit F:	Cumulative History of the Federal DWSRF Capitalization Grants
Exhibit G:	Cumulative History of the State Match
Exhibit H:	Summary of DWSRF Loan Program Loans Closed in SFY 2019
Exhibit I:	Expeditious and Timely Use of Funds
Exhibit J:	SFY 2019 DWSRF Loan Program Quarterly Interest Rates
Exhibit K:	Summary of DW Program Fee Expenditures in SFY 2019
Exhibit L:	Summary of DWSRF Transfers
Exhibit M:	Combined Financial Statements
Exhibit N:	Schedule of Expenditures of Federal Awards and Independent Auditors' Reports - <i>Forthcoming</i>
Exhibit O:	DWSRF Projects Closed in SFY 2019 Map
Exhibit P:	DWSRF Projects Closed Since 1999 Map
Exhibit Q:	Summary of Set-Aside Funds in SFY 2019
Exhibit R:	Summary of Associated Funds
Exhibit S:	Summary of DWSRF Projects with a Regional Solution SFY 2014-2019

State of Indiana
Drinking Water State Revolving Fund Loan Program
Annual Report
SFY 2019

I. Introduction

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

This Annual Report is for State Fiscal Year (SFY) 2019 (July 1, 2018 - June 30, 2019). It is prepared in accordance with Section 1452 of the Safe Drinking Water Act (SDWA), as amended, 42 U.S.C. 300j-12, and with 40 CFR 35.3570.

II. State Revolving Fund (SRF) Loan Program Management [40 CFR 35.3570(a)(3)(i)]

Indiana Code 5-1.2-10 and 5-1.2-3 govern the establishment and administration of the DWSRF Loan Program by the Authority.

III. Goals and Objectives of the SFY 2019 Intended Use Plan [40 CFR 35.3570(a)(1)]

The purpose of the DWSRF Loan Program is to provide low-cost financial assistance to Indiana utilities to enable the construction of necessary and environmentally sound drinking water infrastructure; facilitate statewide compliance with state and federal drinking water standards; maintain a fiscally self-sufficient program as a continuing source of funding for improvement and protection of public health; and, conduct any other activity permitted by the SDWA.

To accomplish these objectives, the Authority set short-term and long-term goals as part of the SFY 2019 Intended Use Plan (IUP). A description of how the DWSRF Loan Program has achieved these goals or is working toward them is in Exhibit A.

In SFY 2019, the Authority chose to continue the Green Project Reserve (GPR) Sustainability Incentive Program, which provides an interest rate break incentive to State Revolving Fund participants that incorporate green project components into their projects. In SFY 2019, green projects accounted for 15%, or \$2,495,753 of the 2019 Capitalization Grant. Exhibit B, Green Project Reserve by Capitalization Grant Year, lists participants that incorporated GPR projects.

Under the terms and conditions of the 2019 Capitalization Grant, the DWSRF Loan Program is required to use twenty (20%) percent of funds available in the grant to provide Additional Subsidy to eligible recipients. In addition, the DWSRF Loan Program must provide six (6%) percent and may provide up to thirty-five (35%) percent of its 2019 Capitalization Grant in the form of Additional Subsidization to disadvantaged communities, as required by the Safe Drinking Water Act. Additional Subsidization may be in the form of principal forgiveness, negative interest rate loans, or grants. The 2019 Capitalization Grant was awarded on July 19, 2019 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2019 Capitalization Grant. Exhibit C, Additional Subsidization by Capitalization Grant Year, lists participants that received Additional Subsidization in the form of

principal forgiveness. As of June 30, 2019 the DWSRF Loan Program has provided a total of \$33.2 million dollars in Additional Subsidization from Capitalization Grants and met the Additional Subsidization goals of the 2010-2017 Capitalization grants. The Authority shall loan the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, which allows Indiana four years in which to allocate the Additional Subsidization. However, every attempt will be made to assign the Additional Subsidization within two years of receiving the Capitalization Grant. Priority for Additional Subsidization was given to disadvantaged communities that could not otherwise afford such projects.

Another requirement of the Capitalization grant is to document projects that are categorized as Equivalency Projects. The purpose of Equivalency within the SRF programs is to allow states to select groups of loans, the sum of which is equal to the amount of a capitalization grant, to meet specific federal requirements for the program. For the DWSRF Loan Program these requirements include: meeting crosscutter requirements, single audit requirements, Federal Funding Accountability and Transparency Act reporting requirements, Disadvantaged Business Enterprise Utilization, and the Signage Requirement. Exhibit D, Equivalency Projects by Capitalization Grant Year, lists the equivalency project and the equivalency requirements of the program in SFY 2019.

IV. Environmental Review [40 CFR 35.3570(a)(3)(xii-xiii)]

All projects funded through the DWSRF Loan Program complied with Federal Cross-Cutting Authorities and State Environmental Review Procedures (SERP). A description of each project funded in SFY 2019 is attached in Exhibit E.

Regionalization, or independent public bodies sharing the responsibility of providing drinking water services to residents, can lead to many benefits for communities and the State. Regional solutions to drinking water issues reduce administrative operation and maintenance costs, offer economies of scale, and create environmental benefits such as fewer outfalls and less excavation. Through incentives and close work with utilities, the Authority has encouraged regionalization through the DWSRF Loan Program and closed four loans in the last five years assisting communities. See Exhibit S for details.

V. State Match [40 CFR 35.3165(b)(2)]

The Authority has fully met its State Match requirements through the end of SFY 2019 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF Loan Fund). To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the EPA awarded \$303,616,100 in federal Capitalization Grants which the Authority was required to match through June 30, 2019.

See Exhibit F for a history of the Capitalization Grants awarded to the DWSRF Loan Program. Exhibit G details State Match deposited in the DWSRF Loan Fund through the end of SFY 2019, the sources of such State Match, and how repayment of revenue bonds providing any such State Match has been and will continue to be managed in a manner consistent with federal and state law.

VI. Binding Commitments Exceed 120% of Grant [40 CFR 35.3165(b)(4)]

During SFY 2019, the DWSRF Loan Program financed 17 loans totaling \$168,799,778. Since the DWSRF Loan Program's inception in 1997, over 266 loans aggregating over approximately \$880.5 million dollars have been financed, more than two times the amount of federal Capitalization Grants that have been awarded to the DWSRF Loan Program (\$330,828,100). For a summary of all financings by the DWSRF Loan Program during SFY 2019, see Exhibit H.

VII. Expeditious and Timely Use of Funds [40 CFR 35.35.3550(l)]

The DWSRF Loan Program is a leveraged program and has established itself as a highly rated borrower in the national bond market. The Authority has utilized its Capitalization Grants to leverage multiple series of bonds, aggregating over \$239 million in outstanding principal as of June 30, 2019, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit I: Expeditious and Timely Use of Funds, attached hereto. Future bond issuances are expected to be used to fund new commitments related to new loans in future years. The balance of the bond proceeds not available for loans are used for reserve funds, administrative expenses, and costs of issuance.

A. Interest Rates

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

Interest rates applied to new loans are reset on the first business day of each January, April, July and October using a Base DWSRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90% of the average 20-year, AAA-rated general obligation bond Municipal Market Data (MMD) composite index for the most recent calendar month. The Base Rate is then discounted further based upon a participant's Median Household Income (MHI) from the 2012-2016 ACS 5-year estimate data, and projected user rates.

In SFY 2019, the DWSRF Loan Program offered interest rates ranging from a low of 2.00% to a high of 2.75% (See Exhibit J).

The DWSRF Loan Program also offers incentive programs which encourage Participants to pursue projects that further improve the public and environmental health of Indiana. Integrating these project components into DWSRF Loan Program Financing can lead to a reduced interest rate. In the DWSRF Loan Program, up to an additional .50% reduction may be permitted if a project is financed that includes green/sustainable components, including climate resiliency components. The SRF interest rate may also be reduced as low as 0% by removing lead service lines.

In SFY 2019, the subsidized DWSRF Loan Program interest rate provided an estimated savings of \$28,025,365 to participants in the DWSRF Loan Program. See "SRF Savings" column Exhibit H for savings provided to each participant.

B. Terms

Standard DWSRF Loan Program loans closed in SFY 2019 were structured with annual principal repayments that commenced no later than one year after expected completion of the proposed project and a majority of the loans have a final principal payment no later than 20 years after expected completion of the proposed project.

Loan Terms That Exceed 20 Years

The DWSRF Loan Program may offer Participants extended term financing at its discretion provided the useful life of the project is equal to or greater than the loan term.

- As permitted by the Safe Drinking Water Act, a loan term up to 40 years may be given to a community determined to be disadvantaged as defined in Section XII of this Report.
- On August 3, 2017, the Authority received EPA approval to offer extended term financings in both CWSRF and DWSRF Loan Programs. A loan term up to 35 years may be given to all Indiana utilities to correct the issue of aging infrastructure for all water and sewer projects having a useful life equal to the loan term. In SFY 2019, the DWSRF Loan Program closed six loans that include loan terms that exceed 20 years.

C. Other Assistance Provided

As of June 30, 2019, the DWSRF Loan Program has provided a total of \$33,146,000 of Additional Subsidization in the form of principal forgiveness to 28 loan recipients during SFY 2010-2019. [Exhibit C](#), Additional Subsidization by Capitalization Grant Year, lists participants that received principal forgiveness from recent Capitalization Grants. Priority for Additional Subsidization was given to disadvantaged communities that could not otherwise afford such projects.

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

During SFY 2019, the DWSRF Loan Program provided \$78,308,248 in DWSRF Pooled Loan funding to six communities. The DWSRF Pooled Loan program offers eligible participants the “AAA” interest rate that is available to the DWSRF Loan Program at the time of their loan closing.

In addition to DWSRF Loan Program funds, other federal, state, and local funds are associated with DWSRF Loan Program projects. In SFY 2019 an additional \$1.8 million in funds from other federal programs also assisted SRF loan recipients. Further, an additional \$2.1 million was contributed from non-federal sources. See [Exhibit R](#) for details.

Effective July 1, 2018 Indiana legislation required that all Participants in the SRF Loan Programs that receive a loan or other financial assistance from the SRF Loan Programs certify that the Participant has documentation demonstrating that it has the financial managerial, technical, and legal capability to operate and maintain its water or wastewater system in the form of an Asset Management Program. Along with creating guidance to assist Participants to meet this requirement, the Authority appropriated State funds to assist disadvantaged communities to create Asset Management Plans. In SFY 2019, the DWSRF Loan Program awarded \$200,000 in Asset Management Plan Grants to eight Participants.

D. Administrative Expenses and Fees

The cost of financing loans includes the fees and expenses of the SRF Trustee Bank. The Authority may require participants to offset some of these costs through a Loan Closing Fee, which is \$1,000 per participant. In SFY 2019, the DWSRF Loan Program collected \$16,000 in Loan Closing Fees. Fees were not assessed for participants closing more than one assistance agreement, at the same time in SFY 2019.

The non-use fee policy of the DWSRF Loan Program permits the assessment of a non-use fee for DWSRF Loan Program funds that are not used within two years following a Participant's loan closing. Pursuant to the policy, each Participant that does not complete its project and fully expend the funds borrowed within two years after the loan closing, may be assessed a one percent fee on the balance of the funds that remain un-drawn. An additional one percent fee may be assessed each six months following the two year anniversary of the Participant's loan closing until the loan is fully drawn or closed out. The Authority contacts Participants in advance of the two year anniversary of their loan closing and works with the Participant to spend down the remaining funds to avoid any non-use fee. Thus, no non-use fees were collected by the DWSRF Loan Program during SFY 2019.

As permitted by 40 CFR Part 35 and the EPA Fee Policy dated October 20, 2005, effective November 13, 2015, the Authority implemented a DWSRF Fee for the DWSRF Loan Program. The DWSRF Fees collected will be deposited in the DWSRF Fee Account, a segregated account that is not designated as part of the accounts comprising the SRF Fund and separate from the Wastewater Program Fund account where the CWSRF Fees will be deposited.

The DWSRF Fees accumulated may be used by the Authority on projects, needs, costs, or expenses (which may include the provision of state match for the DWSRF Fund) that support or further goals, purposes, or objectives of the DWSRF Loan Program and for various water quality activities. Such uses of accumulated DWSRF Fees may also include the purposes of the Supplemental Fund authorized pursuant to IC 5-1.2-11-6. A detailed summary of the actual use of the DWSRF Fees is provided in Exhibit K of this report.

The DWSRF Fees charged by the Authority are separately stated from interest charges imposed in respect of financial assistance structured in the form of a loan; provided however, as set out in its standard forms of financial assistance agreement, the Authority may adjust the interest rate on the bonds evidencing any SRF loan to be lowered, with the difference between the amount payable as the original rate on such bonds and the lower rate being deemed an SRF Fee in connection with the DWSRF Loan Program. Any such recharacterization of the otherwise stated interest charges as fees will be accomplished by

notice given by the Authority to the Participant prior to the date any scheduled interest payment is due, and prior to deposit of any interest payment in the DWSRF Fund.

The total amount in the DWSRF Fee Account as of June 30, 2019 was \$7,555,568 with an unallocated balance of \$5,102,286. Exhibit K outlines the expenditure of the DWSRF Fee Account in SFY 2019.

E. Transfers [40 CFR 35.3570(a)(3)(x)]

The State permits transfers between the DWSRF Loan Program and the CWSRF Loan Program of Capitalization Grants and other funds held in or allocable to such funds to the extent permitted by the Clean Water Act (CWA) and the SDWA. There were no transfers in SFY 2019. For a historic summary of transfers, see Exhibit L.

F. Cross-collateralization [40 CFR 35.3110(f)]

To the extent permitted by the CWA and the SDWA, the State has cross-collateralized the CWSRF and the DWSRF Loan Programs to optimize capitalization requirements and to better manage the specific funding needs of projects.

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

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

G. DWSRF Loan Program Financial Statements

The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2019, which ended June 30, 2019, the DWSRF Loan Program received an unmodified opinion from an independent auditor, as described in Exhibit M.

The DWSRF Loan Program is audited annually for compliance with the requirements set forth in 2 CFR 200 Subpart F, the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Super Circular"). Effective for non-federal entities on December 26, 2014. For SFY 2019, which ended June 30, 2019, the DWSRF Loan Program was determined to be "in compliance," as noted in the Schedule of Expenditures of Federal Awards and Independent Auditors' Reports. The Independent Auditor's Report is provided as Exhibit N.

H. Federal Requirements

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

- assurances and certifications provided in the IUP have been met;
- closed loans equal more than the required 120% of each quarterly Capitalization Grant payment and were made within one year of receipt of all payments;
- all funds have been used in a timely and expeditious manner; and
- environmental reviews have been conducted in accordance with federal and state law. All loans made during the SFY 2019 had related projects listed on the Authority's Drinking Water Project Priority List (PPL).
- beginning January 17, 2014 the Authority implemented the “American Iron and Steel” requirement as described in the SDWA, as amended October 23, 2018.
- beginning in SFY 2015 the Authority added one point to the SRF scoring system for projects that consider climate resiliency in planning and design.

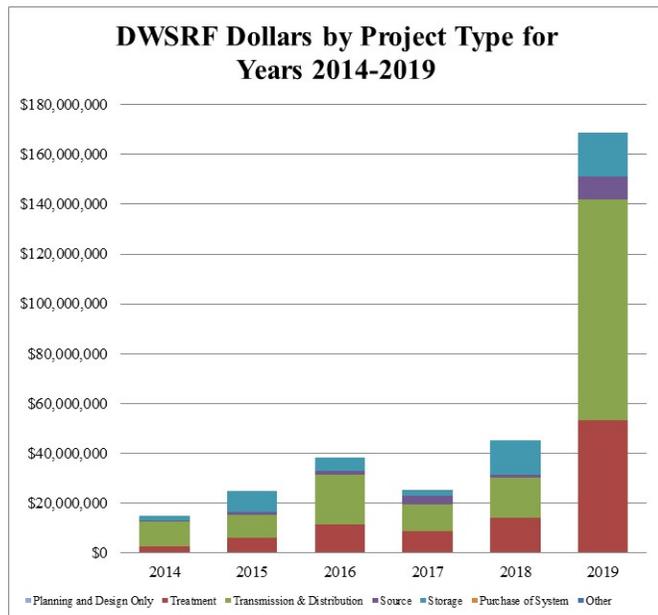
I. Compliance with 2 CFR part 200 [40 CFR 35.3570(a)(3)(xiv)]

The DWSRF Loan Program complied with all requirements of 2 CFR part 200.

VIII. Projects Funded [40 CFR 35.3570(a)(3)(iv)]

The scoring and ranking system of the DWSRF Loan Program focuses on those projects with the greatest public health need. A map showing the location of projects funded in SFY 2019 is attached as [Exhibit O](#). A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as [Exhibit P](#).

In 2019, the DWSRF experienced increased demand over previous years. The majority of funds were utilized for Water Treatment projects (31%) and Transmission and Distribution projects (53%). See *DWSRF Dollars by Project Type for Years 2014-2019*



IX. Eligibility [40 CFR 35.3570 (a)(3)(v)]

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

- A. allows the participant to achieve or maintain compliance with the SDWA;
- B. allows the participant to provide drinking water of adequate quality and quantity to

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

X. Set-Asides [40 CFR 35.3570(a)(3)(vi)]

The Authority is responsible for managing the Set-Aside funds.

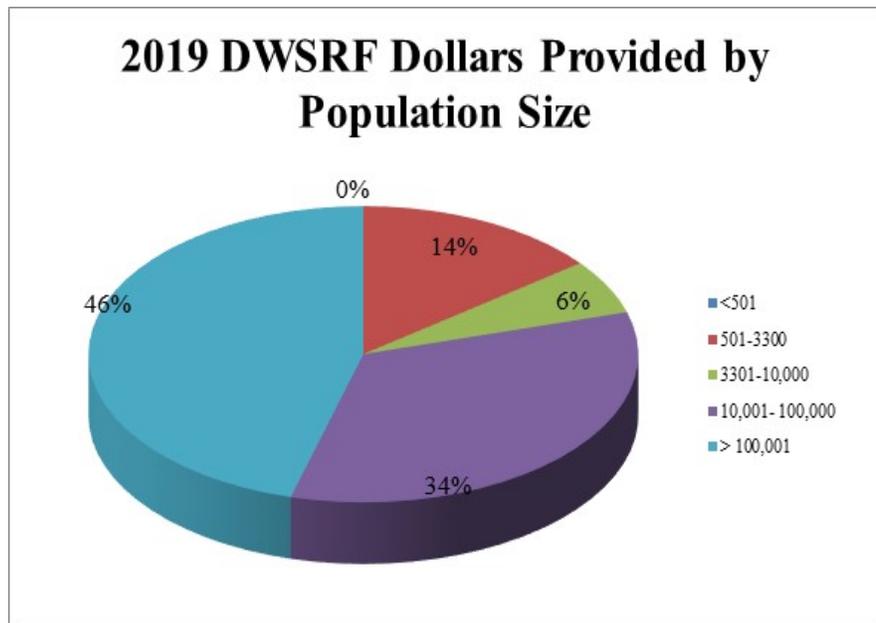
In SFY 2019, the Authority utilized the State Program Management Set-Aside to complete drinking water goals by:

- Maintaining the Indiana Lead Sampling Program for Public Schools data platform to allow the state and school districts to manage and public notice lead sampling results data.
- Initiating the Indiana Validated Water Loss Audit Program, to conduct trainings and aid utilities in validating their water audits every other year.
- Initiating the 2019-2020 Lead Sampling Program for Child Care Facilities, to develop a lead sampling program for child care facilities, including developing an application, an application ranking matrix, and marketing materials.
- Organizing and conducting 8-10 regional water planning meetings, including setting agendas and recruiting speakers, drafting regional boundaries.
- Conducting the Central Indiana Water Study to assess the current water supply in Central Indiana, as well as the future demand and the cost of infrastructure needed to meet the demand for these regions.

See [Exhibit Q](#) for a summary of Set-Aside activities.

XI. Assistance to Small Systems [40 CFR 35.3570(a)(3)(vii)]

Of the total amount available for assistance from the DWSRF Loan Program each year, the Authority must make at least 15% available solely for providing loan assistance to small systems to the extent such funds can be obligated for eligible projects. The Authority defines a small system as a public water system that regularly serves



10,000 or fewer persons. Furthermore, when the Authority provides assistance in an amount that is greater than 15% of the available funds in one year, it may credit the excess toward the 15% requirement in future years.

In SFY 2019, 20% of DWSRF funds went to systems serving fewer than 10,000 persons, as shown in *2019 DWSRF Dollars Provided by Population Size*. Cumulatively, the DWSRF Loan Program has provided 38% of its funds to small systems.

XII. Disadvantaged Communities [40 CFR 35.3570(a)(3)(viii)]

The Authority defines a disadvantaged participant as one with:

- A project area with an MHI below \$40,346 (80% of the State MHI), as established by 2012-2016 American Community Five Year Survey;
- An estimated post project user rate greater than \$45.00 per month; or
- An average annual residential post project user rate that would exceed one-percent of the community's MHI.

These communities are eligible to receive the lowest interest rate the Authority provides to DWSRF Loan Program participants. See Section VII.A of this Annual Report for a description of the DWSRF Loan Program's interest rate structure.

During SFY 2019, the Authority provided \$121,304,395 to nine disadvantaged communities. The total disadvantaged population served was 258,665 persons.

Exhibit A

Goals and Objectives of the DWSRF Loan Program State Fiscal Year (SFY) 2019 Intended Use Plan

The DWSRF Loan Program sets short- and long-term goals as required by 40 CFR 35.3555(c)(5). Short-term goals and objectives are those the State expects to achieve during State Fiscal Year (SFY) 2019, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

During SFY 2019, the DWSRF Loan Program expects to achieve the following short-term goals and objectives:

ST1 Goal: Seek the immediate award of the Federal Fiscal Year (FFY) 2019 Capitalization Grant. Upon award, continue to disburse loan proceeds such that the 2019 Capitalization Grant can promptly be utilized.

Result: The FFY 2019 Capitalization Grant was awarded to the Authority on July 19, 2019. The DWSRF Loan Program disbursed sufficient loan proceeds so that the 2019 Capitalization Grant will be fully drawn, other than the amount reserved for Additional Subsidization and set-aside amounts.

ST1a Goal: Ensure that Additional Subsidization is provided pursuant to the terms and conditions of the current capitalization grant and as described in Section 1452 of the Safe Drinking Water Act (SDWA). Additional Subsidization may be provided in the form of principal forgiveness, negative interest loans or grants.

Result: The 2019 Capitalization Grant was awarded on July 19, 2019 and the DWSRF Loan Program has identified communities that are eligible to receive the Additional Subsidization from the 2019 Capitalization Grant. As of June 30, 2019, the DWSRF Loan Program has provided a total of \$33.1 million dollars in Additional Subsidization from the 2010-2019 Capitalization Grants, meeting the Additional Subsidization goals of the 2010-2017 Capitalization Grants. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, the Authority shall use its best efforts to spend the Additional Subsidization within two years of receiving the Capitalization Grant. See Exhibit C, Additional Subsidization by Capitalization Grant Year.

ST1b Goal: Ensure that Davis Bacon Act wage rules apply to all assistance agreements made with funds appropriated under the 2019 Capitalization Grant.

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

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

Result: The DWSRF Loan Program included language in all Financial Assistance Agreements that required Participants to meet the requirements of the American Iron and Steel Act and provided guidance on the waiver process and requirements of the Act. Further, American Iron and Steel certifications are reviewed during inspection.

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

Result: Equivalency projects were projected in the 2019 Intended Use Plan and the selected equivalency projects can be found in Exhibit D of this Annual Report.

ST1e Goal: Ensure that Participants are developing and implementing an Asset Management Program (AMP) that meets the requirements set forth in the DWSRF Loan Program Guidelines.

Result: In response to this goal and changes in State legislation, the Authority launched an Asset Management Program on July 1, 2018. In SFY 2018, guidance was created and the program was presented to interested parties at conferences and via the SRF Loan Program's newsletter. Further, a grant program, utilizing state funds, was launched to assist small disadvantaged communities with the cost of completing Asset Management Plans. To date \$225,000 has been awarded to nine Drinking Water Program borrowers through this program. Participants will be required to provide certification of a complete Asset Management Plan at loan closing or prior to their final loan disbursement.

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

Result: In SFY 2019, 92% of DWSRF Loan Program assistance agreements funded projects that assisted compliant systems to maintain compliance with the Safe Drinking Water Act; 4% went to extend service to areas with private wells; and 4%, or \$7,420,000, went towards projects that assisted non-compliant systems to achieve compliance.

ST3 Goal: Conduct at least 30 technical, on site and/or virtual inspections between the CWSRF and DWSRF Loan Programs during the construction phase and the post-construction phase to document the construction progress, as well as the appropriate use of SRF funds.

Result: SRF Loan Program staff completed 58 inspections (42 clean water and 16 drinking water) in SFY 2019, thus exceeding its goal.

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

Result: In SFY 2019, SRF Loan Program staff held project planning meetings, timely reviewed Preliminary Engineering Reports using SRF Work Plans and corresponded with Participants through the process to successfully close on 17 Drinking Water SRF loans with 16 participants. Requiring communities to bid prior to loan closing and providing a timeline assists communities to meet the 2-year construction goal implemented by the Authority.

ST5 Goal: Ensure that EPA funds are accessed when eligible expenses are incurred to minimize un-liquidated obligations.

Result: The 2019 Capitalization Grant was awarded on July 19, 2019. When the 2019 Capitalization Grant is received it will be accessed promptly as eligible expenses are incurred.

ST6 Goal: Implement a software database for staff to reference financial information related to each SRF financing.

Result: In SFY 2019 The Authority continued the implementation of a software database for financial information related to each SRF financing.

ST7 Goal: Consider other available funding opportunities from Federal and/or State sources to further achieve the goals of the SRF (i.e. WIFIA).

Result: On July 19, 2017, the Authority was selected to submit an application to USEPA to apply for WIFIA funding and that application was submitted on October 27, 2017.

The Authority intends to enter into a funding agreement with USEPA in the fall of 2019.

The Authority intends to receive a state appropriation, as set forth in IC 5-1.2-14, in calendar year 2020.

B. Long-Term Goals and Objectives

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

Result: In SFY 2019, 17 DWSRF loans were closed. See Exhibit H, Summary of Closed Loans for SFY 2019.

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

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

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

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

LT4 Goal: Leverage EPA Capitalization Grants to generate loans that exceed two-times the awarded grant amounts.

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

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

Result: In order to minimize un-liquidated obligations, the SRF Loan Program continues to monitor Participants' expenditure rate. As loans are closed out and reamortized, unused loan funds are made available to other Participants on the Project Priority List. Communities with funds remaining following substantial completion are contacted to determine if they are interested in using remaining funds to finance a new project, or if they wish to close out their loan. In addition, the financial assistance

agreement contains “non-use fee” language which allows the Authority to charge a fee to a community who has not drawn their loan funds in a timely manner.

LT6 Goal: Report all uses of DWSRF funds in the Drinking Water Project Benefits Reporting (PBR) database and the Drinking Water SRF National Information Management System (NIMS) as required by the EPA and the Federal Funding Accountability and Transparency Act (FFATA). Submit required reports to EPA in a well-prepared and timely manner.

Result: The Authority reports uses of DWSRF Loan Program funds in PBR on a monthly basis and NIMS on an annual basis, as required by EPA. Intended Use Plans, Annual Reports, and National Infrastructure Management System data, and FFATA reports are well-prepared and submitted to EPA in a timely manner.

LT7 Goal: Periodically publish an SRF Loan Program newsletter.

Result: The SRF Loan Program published a newsletter in April of 2019.

LT8 Goal: Continue to look for co-funding opportunities between the Brownfields Program and the SRF Loan Program. Continue to look for co-funding opportunities between the USDA Rural Development and the SRF Loan Programs.

Result: The Authority continues to partner with the Brownfields Program to assist communities addressing their brownfield redevelopment needs by pairing Brownfield Loan Program Funds with project components eligible for the DWSRF Loan Program. Although staff discussed potential co-funding opportunities, a co-funded project with the DWSRF Loan Program has not come to fruition. Additionally, the DWSRF Loan Program staff discussed potential projects with the USDA Rural Development staff on a regular basis, but no co-funded projects resulting in SFY 2019.

LT9 Goal: Ensure that the DWSRF Loan Program and its Participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters and the Single Audit Act.

Result: Through various reports, audits, and comment periods, the Authority ensures that the DWSRF Loan Program and its participants comply as required with Disadvantaged Business Enterprise, Federal environmental cross cutters, and the Single Audit Act (2 CFR 200 Subpart F “Super Circular”).

LT10 Goal: Provide interest rate breaks to communities which include the removal of lead service lines, Green components and Climate Resiliency projects.

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

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

In SFY 2019, green projects accounted for 15%, or \$2,495,753 of the 2019 Capitalization Grant. See Exhibit B, Green Project Reserve by Capitalization Grant Year.

LT11 Goal: Monitor DWSRF Set-Aside uses and activities and reconcile balances to EPA Set-Aside account balances. Continue the transfer of unused balances to the DWSRF, thereby increasing the DWSRF Set-Aside spending rate and reducing un-liquidated obligations. Coordinate with the Indiana Department of Environmental Management to develop new Set-Aside programs as needed.

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

LT12 Goal: Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

Result: In SFY 2019, 20% of DWSRF Loan Program funds went to systems serving fewer than 10,000 persons. Cumulatively, the DWSRF Loan Program has provided 38% of its funds to small systems.

LT13 Goal: Complete an internal drinking water technical training course to ensure that all SRF Loan Program technical reviewers can competently review both wastewater and drinking water projects.

Result: In SFY 2019, the Authority's technical reviewers continued with drinking water technical training by conducting on-site inspections of water main installation/replacement projects and water facility improvements projects, attending drinking water technical sessions at the Indiana Section of the American Water Works Association conference and the Indiana Rural Water Association Conference.

LT14 Goal: Coordinate with the Indiana Department of Environmental Management's Drinking Water Branch to identify public water systems with Enforcement Targeting Tool (ETT) scores of 11 or greater that may benefit from DWSRF funding.

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

LT15 Goal: Ensure that DWSRF assistance is provided to public water systems with an ETT score greater than or equal to 11, only when the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

Result: The DWSRF Loan Program compares DWSRF applications to data from the Drinking Water Branch's Enforcement Targeting Tool on a quarterly basis to ensure that any DWSRF assistance is provided to public water systems with an ETT score greater than or equal to 11, only when the conditions delineated in the SDWA section 1452(a)(3)(B) and (C) are met.

Indiana DWSRF Loan Program

Exhibit B - Green Project Reserve by Capitalization Grant

FY 2019 Capitalization Grant

\$16,819,000

SFY 2019 GPR Amount

\$2,495,753

15%

Community	Project Description	Total SRF Loan and Principal Forgiveness Amount	Green Project Description	Category 1: Green Infrastructure	Category 2: Water Efficiency	Category 3: Energy Efficiency	Category 4: Environmentally Innovative	Total Eligible GPR Cost (sum of Categories 1-4 plus engineering)	GPR Memo posted to the IFA website	Closing Date
Mishawaka	Plant and Distribution System Improvements	13,000,000	low-irrigation landscape design, energy efficient lighting, SCADA system, variable frequency drives, and ductile iron piping			\$ 111,777	\$ 381,676	\$ 493,453	2/1/2019	10/29/2018
Morristown	Plant and Distribution System Improvements	3,910,000	horizontal pressure filters, ductile iron pipe, variable frequency drives			\$ 21,000	\$ 305,000	\$ 326,000	2/14/2019	12/10/2018
Kirklín	Plant, Storage and Distribution System Improvements	3,718,000	automatic meter reading system, variable frequency drives, and piping modifications		\$ 354,847	\$ 51,549	\$ 166,286	\$ 572,682	1/2/2019	12/14/2018
Crown Point	New Storage and Distribution System Improvements	9,181,383	variable frequency drives			\$ 85,000		\$ 85,000	12/28/2019	12/14/2018
Lebanon	System and Capacity Improvements	3,360,000	ductile iron pipe				\$ 1,018,618	\$ 1,018,618	2/15/2019	2/15/2019

2019 Capitalization Grant TOTAL

\$ 2,495,753

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

DWSRF Loan Program 2016 Capitalization Grant =	\$ <u>13,484,000</u>
Additional Subsidization Required =	\$2,696,800 to \$6,742,000
Additional Subsidization Goal =	\$ 4,125,000
Additional Subsidization Provided =	\$ 4,125,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Marshall	12/15/2016	\$ -	\$ 631,000	\$ 631,000
Hillsdale	3/9/2017	\$ 327,000	\$ 814,000	\$ 1,141,000
Atlanta	6/19/2017	\$ -	\$ 941,000	\$ 941,000
Greentown	6/19/2017	\$ 1,160,000	\$ 1,090,000	\$ 2,250,000
Kirklin	12/14/2018	\$ 1,163,000	\$ 649,000	\$ 1,812,000
2016 Capitalization Grant TOTAL			\$ <u>4,125,000</u>	

DWSRF Loan Program 2017 Capitalization Grant =	\$ <u>13,368,000</u>
Additional Subsidization Required =	\$ 2,673,600 to \$6,684,000
Additional Subsidization Goal =	\$ 3,000,000
Additional Subsidization Provided =	\$ 3,000,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Kirklin	12/14/2018	\$ -	\$ 1,906,000	\$ 1,906,000
Walkerton	12/20/2018	\$ 4,334,000	\$ 1,094,000	\$ 5,428,000
2017 Capitalization Grant TOTAL			\$ <u>3,000,000</u>	

DWSRF Loan Program 2018 Capitalization Grant* =	\$ <u>16,978,000</u>
Additional Subsidization Required =	\$ 3,395,600 to \$8,489,000
Additional Subsidization Goal =	\$ 3,861,000
Additional Subsidization Provided =	\$ 2,021,000

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
Walkerton	12/20/2018	\$ -	\$ 1,756,000	\$ 1,756,000
Holland	3/29/2019	\$ 352,000	\$ 265,000	\$ 617,000
2018 Capitalization Grant TOTAL			\$ <u>2,021,000</u>	

DWSRF Loan Program 2019 Capitalization Grant* =	\$ <u>16,819,000</u>
Additional Subsidization Required =	\$ 4,372,940 to \$9,250,450
Additional Subsidization Goal =	\$ 5,000,000
Additional Subsidization Provided =	\$ -

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness
<i>to be determined</i>				
2019 Capitalization Grant TOTAL			\$ <u>-</u>	

TOTAL Additional Subsidization Provided **\$ 33,146,000**

* Additional Subsidization goal has not yet been satisfied and will be updated in subsequent Annual Reports until the requirement has been met. The Authority shall spend the Additional Subsidization as required by the terms and conditions of the Capitalization Grant, however, every attempt will be made to spend the Additional Subsidization within two years of receiving the Capitalization Grant. The Authority has identified communities that are eligible to receive Additional Subsidization from the 2018, and 2019 grants.

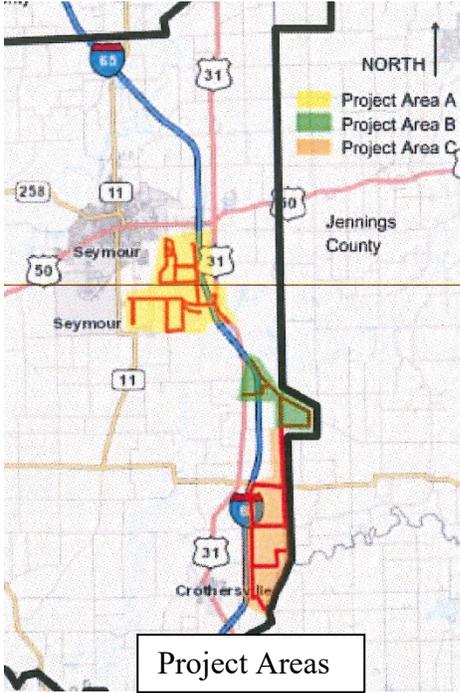
Indiana Drinking Water SRF Loan Program
 Exhibit D - Equivalency Projects

DWSRF Loan Program 2019 Capitalization Grant

\$16,819,000

Community	Project Description	Total Equivalency Amount	will submit DBE report	complied with federal cross-cutters	will comply with the single audit act 2 CFR 200 Subpart F	complied with signage requirement	reported to FSRS to meet FFATA requirements
Evansville	Refresh Evansville Program, long-term strategy to replace aging water mains and supporting infrastrucgture.	\$16,819,000	Yes	Yes	Yes	Yes - Press Release 12/4/2018	Yes - completed 8/8/2019
Equivalency Project Cost Total:		\$16,819,000					

Exhibit E
SFY 2019 DWSRF Loan Program Project Descriptions

DWSRF Participant: Jackson County Water Utility			
SRF Project #:	DW18023603	DWSRF Loan Amount:	\$ 6,680,000
DWSRF Loan Closed:	August 16, 2018	Principal Forgiveness:	\$ 0
Affected Population:	12,393	Total Loan and Principle Forgiveness:	\$ 6,680,000
Loan Term:	35 years	NIMS Categories:	
Interest Rate:	2.30%	Transmission & Distribution:	\$ 6,680,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 2,306,406
<p>This Project: Provides citizens with reliable drinking water supply, not compliance related.</p> <p>Project Description:</p> <p>Jackson County Water Utility desires to address residential needs for potable water in three rural areas of Jackson County, which the Jackson County Water Utility has identified needs for safe water supply. These areas have marginal groundwater and residents are currently served by wells, cisterns or by hauled water.</p> <p>The Water Main extension project will extend drinking water service from the existing Jackson County Water Utility to approximately 573 households and businesses east and southeast of Seymour and northeast of Crothersville.</p> <p>The proposed projects will protect public health by providing safe drinking water with reliable quantity, quality, and service, eliminate the individual maintenance costs for residential wells and hauling water, and maximize the value of the current infrastructure in the area.</p> <p>Because the project is regionalizing services, Jackson County received a 35-year term through the Indiana Extended Term Financing program.</p>			
			

DWSRF Participant: Mishawaka			
SRF Project #:	DW18077103	DWSRF Pooled Program:	\$ 13,000,000
DWSRF Loan Closed:	October 29, 2018	Principal Forgiveness:	\$ 0
Affected Population:	47,652	Total Loan and Principle Forgiveness:	\$ 13,000,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	2.82%	Transmission & Distribution:	\$ 2,860,000
		Source:	\$ 3,900,000
		Storage:	\$ 6,240,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 1,523,600
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The City of Mishawaka's has a 3.0 MG finished water ground storage tank that was constructed in 1929 and is at the end of its life. The distribution system lacks redundant water mains that would protect customers in the event of a water main break.</p> <p>The Mishawaka project includes:</p> <ul style="list-style-type: none"> • A new 2.0 MG storage tank with booster station and associated water main, • Installation of water main along Ireland Trail and Ireland Road, • Evaluation of tank rehabilitation method of storage tank 1 North, and • Planning and design of the northeast water treatment plant, well field, and storage tank. 			
		 <p style="text-align: right;">2.0 MG storage tank</p>	
<p>The project results in improved storage capacity in the Central Pressure District and, improved redundancy in the Central Pressure District and the Blair Hills Pressure District. The design project prepares the City of Mishawaka to provide a more stable water supply for the Central Pressure District and the new water treatment facility, when constructed, will provide the University Park Pressure District with a redundant source of water, treatment and storage. It also allows the existing water treatment plants to be taken offline for rehabilitation, and address the storage deficiency in the University Park District.</p>			
<p>By including green components in this project, Mishawaka is eligible for the Indiana Green Project Reserve incentive program. Green components of this project include low-irrigation landscape design, energy efficient lighting, Supervisory Control and Data Acquisition (SCADA) system, variable frequency drives, and ductile iron piping.</p>			

DWSRF Participant: Morristown			
SRF Project #:	DW18107301	DWSRF Loan Amount:	\$ 3,910,000
DWSRF Loan Closed:	December 10, 2018	Principal Forgiveness:	\$ 0
Affected Population:	1,218	Total Loan and Principle Forgiveness:	\$ 3,910,000
Loan Term	20 years	NIMS Categories:	
Interest Rate:	2.00%	Treatment:	\$ 3,910,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 844,981
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The Town of Morristown currently owns two water treatment filter package units. One is approximately 40 years old and at the end of its useful life, and the other is approximately 20 years old. With the 40-year-old unit out of service, the town will not be able to meet its maximum day demand, and the Town will not be able to take the remaining unit down for maintenance or to change out the filter media.</p> <p>The proposed project includes:</p> <ul style="list-style-type: none"> • A new water treatment plant with control valve, aerators, detention tank, high service pumps, horizontal pressure filters, backwash tank and lift station, chemical feed system, SCADA, instrumentation, and standby power; • SCADA improvements to existing water treatment plant and Wells 4, 5, and 6; • Permanent standby power and fencing for Wells 5 and 6; and • Filter media, aerator tray replacement, and flow meter installation at the existing water treatment plant. <p>The new water treatment plant allows the drinking water system to meet current and 20-year water demands. SCADA and instrumentation improvements will ensure that the new plant can reliably communicate with the existing sites and that processes are properly controlled and measured. Standby power is required for the new and existing sites, and will ensure system demands are met during a power outage. The existing plant's filter media and aerator trays are at the end of their useful life and require replacement, and a flow meter provides proper raw water flow measurement.</p> <p>The Morristown project is eligible for the Indiana Green Project Reserve incentive program by including high service pumps, horizontal pressure filters, and SCADA system improvements.</p>			

DWSRF Participant: North Judson			
SRF Project:	DW18017501	DWSRF Pooled Program:	\$ 1,584,000
DWSRF Loan Closed:	December 11, 2018	Principal Forgiveness:	\$ 0
Affected Population:	1,800	Total Loan and Principle Forgiveness:	\$ 1,584,000
Loan Term:	35 years	NIMS Categories:	
Interest Rate:	3.55%	Source:	\$ 522,720
		Storage:	\$ 1,061,280
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 78,850
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p> <p>Project Description:</p> <p>The Town of North Judson's water treatment plant is currently meeting all requirements, but the system has weaknesses that could lead to compliance issues. The water treatment plant currently lacks redundancies, and is not configured to be operational during power outages. The Town's distribution system includes two elevated water storage tanks that have a hydraulic grade line between them that does not allow the West Storage Tank to be filled to capacity without overflowing the Main Street Storage Tank. This issue leads to low pressure areas downstream of the West Tank. Both tanks are also in a state of disrepair and require rehabilitation.</p> <p>The North Judson project includes the installation of a new groundwater well, a new generator to provide emergency backup power at the water treatment plant, a new altitude valve at the Main Street Storage Tank and rehabilitation at the Main Street Storage Tank and West Storage Tank.</p> <p>The proposed project allows the West Storage Tank to be fully utilized, improves low pressure issues in the distribution system, and extends the life of the two water storage tanks. The project also ensures the quality and reliability of the drinking water utility.</p> <p>By rehabilitating existing infrastructure that is past useful life, this project received a 35-year term through the Indiana Extended Term Financing program.</p>			

DWSRF Participant: Delphi			
SRF Project #:	DW18170801	DWSRF Pooled Program:	\$ 7,420,000
DWSRF Loan Closed:	December 12, 2018	Principal Forgiveness:	\$ 0
Affected Population:	3,200	Total Loan and Principle Forgiveness:	\$ 7,420,000
Loan Term:	35 years	NIMS Categories:	
Interest Rate:	3.55%	Treatment:	\$ 964,600
		Transmission & Distribution:	\$ 1,113,000
		Source:	\$ 445,200
		Storage:	\$ 4,897,200
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 369,360
<p>This Project: Assists a noncompliant system to achieve compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The City of Delphi will increase the firm capacity of its water system due to decreasing water levels in the existing aquifer, as a result of adjacent mining operations. In addition, the presence of high levels of hydrogen sulfide in two of the production wells provide distasteful, sulfur smelling water and are not currently used unless there is high demand or an emergency. The City is unable to take its existing water storage tanks out of service in order to perform necessary maintenance, and the system currently has insufficient water supply.</p> <p>The Capital Drinking Water Improvements Phase I project includes:</p> <ul style="list-style-type: none"> • Construction of new Well 7 and associated water main, • Construction of a new water storage tank, • Construction of a new booster station, • Installation of hydrogen sulfide removal equipment, and • Installation of water main from existing Well 3 to existing Well 5. <p>The project will result in additional capacity, remove secondary contaminants, and install additional water storage to allow for rehabilitation of the system's existing storage tanks. By rehabilitating existing infrastructure that is past useful life, this project received a 35-year term through the Indiana Extended Term Financing program.</p>			

DWSRF Participant: Watson Water Company			
SRF Project #:	DW16021001	DWSRF Loan Amount:	\$ 1,640,000
DWSRF Loan Closed:	December 12, 2018	Principal Forgiveness:	\$ 0
Affected Population:	15,750	Total Loan and Principle Forgiveness:	\$ 1,640,000
Loan Term:	35 years	NIMS Categories:	
Interest Rate:	3.55%	Transmission & Distribution:	\$ 1,640,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 81,638
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The Watson Water Company, Inc. serves residential, commercial and industrial customers within the Town of Utica, the unincorporated community of Watson and portions of Charlestown, Jeffersonville, and Utica Township. Many system components, including wells, storage, and transmission lines have reached the end of useful life and in need of rehabilitation.</p> <p>The project is necessary to meet the required capacity of the service area.</p> <p>The Water System improvements Project includes:</p> <ul style="list-style-type: none"> • Installation of transmission main to serve an existing elevated storage tank; • Installation of a new booster pump, to provide adequate pressure to pump water purchased from Indiana American Water into an existing elevated storage tank; • Installation of water main along Salem Nobel and High Jackson Roads; and • Installation of new water main to improve service in the Town of Utica. <p>The project is needed to provide adequate supply, and distribution of potable water to existing and future customers of the Watson Water Company. During periods of peak usage, the system could experience low tank levels and line pressures, which cause a potential risk to public health if the project is not constructed. The project will also replace existing facilities that are nearing the end of their useful life. By rehabilitating existing infrastructure that is past its useful life, this project received a 35-year term through the Indiana Extended Term Financing program.</p>			
		 <p>Existing Storage Tank</p>	

DWSRF Participant: Nappanee			
SRF Project	DW18032001	DWSRF Loan Amount:	\$ 2,538,000
DWSRF Loan Closed	December 13, 2018	Principal Forgiveness:	\$ 0
Affected Population:	6,648	Total Loan and Principle Forgiveness:	\$ 2,538,000
Loan Term:	20 years	NIMS Categories	
Interest Rate:	0.00%	Transmission & Distribution:	\$ 1,573,560
		Source:	\$ 964,440
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 1,114,796
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The City of Nappanee’s existing wells were installed in the 1980s and are reaching the end of their useful life. The wells are located in close proximity to the existing treatment plant and sufficient space is not available to expand the current well field. The City’s distribution system is facing water loss issues, and the system is known to include lead service lines.</p> <p>The Infrastructure Improvements Project includes the installation of two new groundwater wells and well houses, water transmission main, and replacement of approximately 1,300 feet of water main. The project also includes the replacement of lead service lines, in an effort to both reduce the risk of lead exposure and improve the overall operation of the system by reducing water loss.</p> <p>This project is needed to replace aging water system components, to provide safe and reliable water to the utility members, and to provide for source redundancy, while providing for current and future growth water demands.</p>			
		 <p style="text-align: center;">North Wellhouse</p>	

DWSRF Participant: Kirklin			
SRF Project #:	DW18091202	DWSRF Loan Amount:	\$ 1,163,000
DWSRF Loan Closed:	December 14, 2018	Principal Forgiveness:	\$ 2,555,000
Affected Population:	788	Total Loan and Principle Forgiveness:	\$ 3,718,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	2.00%	Treatment:	\$ 2,098,277
		Transmission & Distribution:	\$ 1,398,851
		Storage:	\$ 220,871
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 3,928,596
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The Town of Kirklin’s water system requires upgrades and rehabilitation to the treatment, distribution and storage facilities, due to age and condition. Much of the treatment equipment and structure is nearing or exceeding its useful life and in need of rehabilitation and/or replacement. In addition, the ozonation and filtration system has been a constant source of maintenance and is significantly undersized for existing capacity, resulting in unsatisfactory to marginal iron removal. The elevated storage tank coatings are degraded and the passive tank mixing system is contributing to higher water age and low chlorine residuals in the system. Fire hydrants, valves, and meters are decades old and unreliable.</p> <p>Improvements at the water treatment plant include the replacement of numerous components and result in a more reliable, updated treatment system. The project improves the distribution system by installing water main along Adams Street, along with installing 330 new radio read meters. The community’s water storage tank will also be fully rehabilitated to extend service.</p> <p>The proposed improvements to the existing drinking water system provide the Town of Kirklin with water that is of adequate pressure and quality while, improving both reliability and efficiency in the system. The Town of Kirklin meets the Indiana definition of a disadvantaged community because the Town has an average annual residential post project user rate that would exceed one-percent of the Participant’s Median Household Income. Therefore, the community received additional subsidization to avoid increases in local rates. By including green components in this project, Kirklin is eligible for the Indiana Green Project Reserve incentive program. Green components of this project include automatic meter reading equipment, variable frequency drives and piping modifications.</p>			
			



DWSRF Participant: Crown Point			
SRF Project #:	DW18044501	DWSRF Loan Amount:	\$ 9,181,383
DWSRF Loan Closed:	December 14, 2018	Principal Forgiveness:	\$ 0
Affected Population:	30,000	Total Loan and Principle Forgiveness:	\$ 9,181,383
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	0.00%	Transmission & Distribution:	\$ 4,498,877
		Storage:	\$ 4,682,506
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 4,032,849
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>Three of the City of Crown Point's existing water tanks are in need of rehabilitation but are integral components in the distribution system and currently cannot be taken offline. Additionally, the City is in need of additional storage. In the distribution system, the existing pumping station at 96th Street needs pumps with higher energy and operating efficiencies. The distribution system includes dead ends that cause stagnation, low pressure areas, and inconsistent chlorine residual levels. The system has three identified Isolated System Areas with limited supply lines. The older areas of the City are also at higher risk of lead/copper components, and breaking infrastructure.</p>		 <p style="text-align: center;">New Concrete Tank</p>	
<p>The project includes:</p> <ul style="list-style-type: none"> • rehabilitation of five existing water storage tanks; • construction of two additional water storage tanks; • addition of 4 MG of storage to the system; • installation of mechanical mixers to two storage tanks; • construction of two new booster stations and upgrading two existing booster stations; • installation of four chlorine dosing stations; and • installation of new water main/ upsizing water main in areas to loop dead ends in the distribution system to solve the problems in Isolated System Areas. <p>The proposed improvements to the existing drinking water system provide Crown Point with water that is of adequate quantity and pressure, improving both reliability and efficiency in the system. By removing lead service lines and including variable frequency drives, Crown Point is eligible for the Indiana Lead Service Line Removal incentive program and the Green Project Reserve incentive program.</p>			

DWSRF Participant: Walkerton			
SRF Project #:	DW17097102	DWSRF Loan Amount:	\$ 4,334,000
DWSRF Loan Closed:	December 20, 2018	Principal Forgiveness:	\$ 2,850,000
Affected Population:	2,262	Total Loan and Principle Forgiveness:	\$ 7,184,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	2.00%	Treatment:	\$ 5,316,160
		Transmission & Distribution:	\$ 1,580,480
		Source:	\$ 287,360
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 5,038,450
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The Town of Walkerton's existing filtration facility and production wells were commissioned in the late 1950s and early 1960s. Other than necessary maintenance, no major upgrades, and/or improvements have occurred since that time. IDEM's inspection of the Town's filtration facility noted concerns, which are mostly related to age of the facility.</p> <p>The Walkerton Water Filtration Facility Project includes:</p> <ul style="list-style-type: none"> • Construction of a new gravity filtration plant at the North Industrial Park; • Extension and amendments to raw water main from existing wells to the new water plant; • Installation of updated telemetry monitoring for the existing water towers and SCADA to automate operation of the facility; • Construction of a new well and associated water main; • Upsizing water main along US Highway 6, and Washington Street; and • Installation of new water main to connect a current dead end main on Harrison Street to the existing water main on US Highway 6. <p>The proposed project will improve water service and reliability to the customers. Upsizing the water mains will improve distribution system performance. The Town's water supply and treatment facilities have been in continuous service since the early to mid-1960s, and are in need of replacement. Updates to the SCADA systems are recommended for the storage facilities and wells, which will allow for remote monitoring and/or control of the facilities.</p> <p>The Town of Walkerton meets the Indiana definition of a disadvantaged community because the Town's current rates exceed \$45.00 per month and the Town has an average annual residential post project user rate that would exceed one-percent of the Participant's Median Household Income. Therefore, Walkerton received additional subsidization on their project, to avoid increases in local rates.</p>			

DWSRF Participant: Evansville			
SRF Project:	DW18128201	DWSRF Loan Amount:	\$ 50,147,752
		DWSRF Pooled Program:	\$ 27,072,248
DWSRF Loan Closed:	December 21, 2018	Principal Forgiveness:	\$ 0
Affected Population:	173,000	Total Loan and Principle Forgiveness:	\$ 77,220,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	3.25%	Treatment:	\$ 14,671,800
		Transmission & Distribution:	\$ 62,548,200
Equivalency Amount:	\$ 16,978,000	Estimated SRF Savings:	\$ 4,916,155
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The Evansville Water and Sewer Utility (EWSU) distribution system has water mains that vary in age and material, with the vast majority being constructed prior to 1970 and over 60% consisting of cast iron. EWSU experiences a high frequency of water main breaks in its system, specifically in older areas. Pipe failures cause disruption of services for residential, commercial and industrial users and leakage reduces distribution system pressure and efficiency. In response to these issues, the EWSU developed the Refresh Evansville Program, a long-term strategy that included the completion of a system-wide condition assessment of all existing mains.</p> <p>Utilizing the condition assessment, the City developed a prioritized list of needs. The proposed project will address the following:</p> <ul style="list-style-type: none"> • Replace existing water mains to eliminate failing main and dead ends in the multiple priority areas of the City of Evansville; • Replace aging infrastructure and provide redundancy and additional capacity at the water treatment plant. The project will install ductile iron transmission main and 60-inch clearwell interconnection piping; • Replacement of the Lincoln Booster Station increasing the capacity to 3.46 MGD, installation of 16-inch piping, and 24-inch piping to simplify piping configuration at the booster station; and • Install new water main to supply the Lincoln Pressure Zone. <p>Replacement of failing and leaking pipes will reduce service disruptions and maintain proper water pressure while improving the health and safety for the citizen of Evansville.</p>			

DWSRF Participant: Gibson Water			
SRF Project #:	DW18082601	DWSRF Loan Amount:	\$ 994,000
DWSRF Loan Closed:	December 21, 2018	Principal Forgiveness:	\$ 0
Affected Population:	4,390	Total Loan and Principle Forgiveness:	\$ 994,000
Loan Term:	35 years	NIMS Categories:	
Interest Rate:	3.55%	Transmission & Distribution:	\$ 994,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 49,480
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>Gibson Water, Inc. purchases water from the City of Evansville, through a master meter connection. The system currently consists of three water storage tanks, one booster station and approximately 188 miles of water main.</p> <p>The system was first installed in the 1970s and has been systematically expanded over the years. Portions of the distribution system experience low residual pressures in peak demand times.</p> <p>The Water Distribution System Improvements project includes:</p> <ul style="list-style-type: none"> • Installation of water main from the connection with the Evansville Master meter to the Gibson Water Pumping Station, • Replacement of the existing pumps in the Gibson Water Pumping Station with larger and more energy efficient pumps. <p>The proposed project will improve performance, increase system pressure in critical areas during peak demand periods, and provide redundancy in the system. By improving regionalization, this project received a 35-year term through the Indiana Extended Term Financing program.</p>			

DWSRF Participant: Lebanon (A & B)			
SRF Project #:	DW18130601	DWSRF Loan Amount A:	\$ 3,360,000
		DWSRF Fee Amount B:	\$ 521,395
DWSRF Loan Closed:	February 15, 2019	Principal Forgiveness:	\$ 0
Affected Population:	16,098	Total Loan and Principle Forgiveness:	\$ 3,881,395
Loan Term A:	20 years	NIMS Categories:	
Loan Term B:	20 years		
Interest Rate A:	2.00%		Transmission & Distribution:
Interest Rate B:	2.00%	Source:	\$ 2,445,279
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 838,798
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>Lebanon Utilities owns and operates a drinking water system to serve its customers. Water mains have deteriorated due to age, some with inadequate capacity for existing demands, exist in several locations in Lebanon Utilities' water distribution system. These aging water mains are prone to breaks, provide inadequate pressure and supply in some cases, and impact the reliability of the water distribution system. Additionally, dead end water mains exist in the northeast section of the water distribution system. The Sugar Creek water treatment plant and associated wellfields were constructed around 1978. The electrical lines and transformers that power the Sugar Creek wells are obsolete and the raw water main that connects the Sugar Creek wellfield to the Sugar Creek water treatment plant lacks redundancy.</p> <p>The proposed project includes:</p> <ul style="list-style-type: none"> • Installation of a water main and associated appurtenances along Indianapolis Avenue; • Installation of a raw water main at the well field; and • Replacing the power system at the Sugar Creek water treatment plant to provide electrical service to Wells 2, 3, 4 and 5, and • Installation of new generators and upgraded controls at the well field. <p>The project will replace aging water main, provide redundancy for conveying raw water from the existing raw water main to the Sugar Creek water treatment plant and upgrade the electrical systems. By including green components in this project, Lebanon is eligible for the Indiana Green Project Reserve incentive program. Green components of this project include the environmentally innovative use of ductile iron.</p>		 <p>Air release valve structure at wellfield</p>	

DWSRF Participant: Holland			
SRF Project #:	DW18051901	DWSRF Loan Amount:	\$ 352,000
DWSRF Loan Closed:	March 29, 2019	Principal Forgiveness:	\$ 265,000
Affected Population:	1,472	Total Loan and Principle Forgiveness:	\$ 617,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	2.00%	Storage:	\$ 617,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 457,469
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>The 200,000 gallon water storage tank located in Holland was built in 1984 and was inspected in July 2013. The inspection resulted in recommendations to overcoat exterior coating system, replace interior epoxy coating system as soon as possible, repair interior ladder, install a manway on riser and install a 24-inch vent.</p> <p>The 20,000 gallon tank in Stendal was erected in 1967 and was last inspected in November 2011. The inspection identified several action items recommended to keep the tank in fair condition. The tank provides just under one day's storage for the area which it serves.</p> <p>The Water System Improvements project for the Town of Holland includes:</p> <ul style="list-style-type: none"> • Construction of a new 50,000 gallon elevated water tank in Stendal, including controls, fencing, connection to the water main and demolition of the existing tank; and • Rehabilitation of the existing 200,000 gallon water tank, including new coatings, ladder, vent and manway. <p>The proposed project ensures compliance with sanitation, safety, and security guidelines for the water tanks by addressing the most pressing needs of the system and allows flexibility in addressing future needs.</p> <p>The Town of Holland meets the Indiana definition of a disadvantaged community because the Town has an average annual residential post project user rate that would exceed one-percent of the Participant's Median Household Income. Therefore, Holland received additional subsidization on their project, to avoid increases in local rates.</p>			

DWSRF Participant: Greensburg			
SRF Project #:	DW17071603	DWSRF Pooled Program:	\$ 22,715,000
DWSRF Loan Closed:	June 11, 2019	Principal Forgiveness:	\$ 0
Affected Population:	12,000	Total Loan and Principle Forgiveness:	\$ 22,715,000
Loan Term:	20 years	NIMS Categories:	
Interest Rate:	3.06%	Treatment:	\$ 22,715,000
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 1,986,641
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p>			
<p>Project Description:</p> <p>Greensburg operates two existing surface water treatment plants. Both are in poor condition and need rehabilitation or replacement to continue to provide safe, reliable drinking water through the 20-year planning period. In addition, the existing surface water treatment plants have a lack of redundancy, inadequate chemical feed facilities and current and future capacity concerns.</p> <p>The project includes the construction of a new surface water treatment plant consisting of two rapid mix structures, two solids contact clarifiers, eight gravity filters, four high service pumps, and a finished water storage tank. Chemical feed facilities includes powder activated carbon, coagulant (alum), sodium hypochlorite and fluoride. A new treatment building will house the filters and chemical feed facilities. The new surface water treatment plant will be constructed while the existing treatment plants remain in service. Once the proposed surface water treatment plant is completed, accepted, placed into service, and operated for a period of time, the existing surface water treatment plants will be decommissioned and demolished.</p> <p>The proposed project will ensure safe drinking water for the future and allow flexibility in addressing the needs of Greensburg.</p>			

DWSRF Participant: Pittsboro			
SRF Project #:	DW17083202	DWSRF Pooled Program:	\$ 6,517,000
DWSRF Loan Closed:	June 12, 2019	Principal Forgiveness:	\$ 0
Affected Population:	3,470	Total Loan and Principle Forgiveness:	\$ 6,517,000
Loan Term:	25 years	NIMS Categories:	
Interest Rate:	3.07%	Treatment:	\$ 3,128,160
		Transmission & Distribution:	\$ 2,737,140
		Source:	\$ 651,701
Equivalency Amount:	\$ 0	Estimated SRF Savings:	\$ 725,826
<p>This Project: Assists a compliant system to maintain compliance with the Safe Drinking Water Act.</p> <p>Project Description:</p> <p>The Town's drinking water system originated in the 1930s and has been updated and well maintained over the years. The Town is a wholesale customer of Citizen's Water Authority (CWA). The challenges with the current arrangement include lack of redundancy of water supply, risk management associated with CWA feeder watermain breaks, pockets of low pressure within the distribution network, and the active management of chlorine residuals during summer.</p> <p>The proposed project is divided into two Phases. Phase I, the Water Distribution System Improvements project, includes:</p> <ul style="list-style-type: none"> • North Connector water main extension, • Progress Way & I-74 water main extension, and • Associated hydrants, valves, and service connections. <p>The North Connector water main extension will connect an existing un-metered main to Pittsboro's distribution system, improving reliability and pressure in the area. The Progress Way & I-74 water main extension will provide domestic water service to an industrial complex.</p> <p>Phase II, of the project includes the following components:</p> <ul style="list-style-type: none"> • Groundwater production wells, including submersible pumps and pitless adapters for each well; • Raw water main from new wells to the new water treatment plant; • Package gravity filtration water treatment plant, including chemical feed equipment, high service pumping, residuals handling with outfall, treatment plant building, and standby generator; and • Transmission main from the new water treatment plant to the existing distribution system. <p>The new drinking water source will provide redundancy and improved service to Pittsboro, and will provide redundancy in the system while maintaining the connection with the wholesale provider.</p>			

Exhibit F
Cumulative History of Federal DWSRF Capitalization Grants

FFY 1997 Federal Capitalization Grant	\$ 25,371,806
FFY 1998 Federal Capitalization Grant	\$ 8,687,500
FFY 1999 Federal Capitalization Grant	\$ 9,105,300
FFY 2000 Federal Capitalization Grant	\$ 8,989,850
FFY 2001 Federal Capitalization Grant	\$ 9,159,460
FFY 2002 Federal Capitalization Grant	\$ 8,955,100
FFY 2003 Federal Capitalization Grant	\$ 9,398,200
FFY 2004 Federal Capitalization Grant	\$ 9,749,300
FFY 2005 Federal Capitalization Grant	\$ 11,201,850
FFY 2006 Federal Capitalization Grant	\$ 12,166,734
FFY 2007 Federal Capitalization Grant	\$ 11,484,000
FFY 2008 Federal Capitalization Grant	\$ 11,367,000
FFY 2009 Federal Capitalization Grant	\$ 11,367,000
American Recovery and Reinvestment Act of 2009 Grant	\$ 27,212,000
FFY 2010 Federal Capitalization Grant	\$ 22,638,000
FFY 2011 Federal Capitalization Grant	\$ 15,709,000
FFY 2012 Federal Capitalization Grant	\$ 14,970,000
FFY 2013 Federal Capitalization Grant	\$ 14,046,000
FFY 2014 Federal Capitalization Grant	\$ 14,348,000
FFY 2015 Federal Capitalization Grant	\$ 14,253,000
FFY 2016 Federal Capitalization Grant	\$ 13,484,000
FFY 2017 Federal Capitalization Grant	\$ 13,368,000
FFY 2018 Federal Capitalization Grant	\$ 16,978,000
FFY 2019 Federal Capitalization Grant	\$ 16,819,000
TOTAL GRANTS	\$ 330,828,100
TOTAL GRANTS REQUIRED TO MATCH	\$ 303,616,100

Exhibit G
Cumulative History of the State Match

The State deposited no additional State Match in the DWSRF Loan Program during SFY 2019. To date, the DWSRF State Match has aggregated 19.96 percent of the awarded \$303,616,100 Capitalization Grants the Authority is required to match through June 30, 2019, as demonstrated in the table below:

\$6,860,000	State Revolving Fund Program Bond, Subordinate Series 1, net proceeds representing a State Match (September 1999)*
5,640,000	State Revolving Fund Program Bond, Subordinate Series 2, net proceeds representing a State Match (December 2001)*
3,823,000	Series 2001A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2001 & July 2002)
1,949,860	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2004)
2,000,000	Series 2004B State Revolving Fund Program Bond net proceeds representing a State Match allocation (February 2005)
2,100,000	Series 2006A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2006)
2,493,109	Series 2006B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2006)
2,400,000	Series 2007B State Revolving Fund Program Bond net proceeds representing a State Match allocation (December 2007)
7,000,000	Series 2009A State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2009)
4,437,000	Series 2010B State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2010)
1,567,051	Series 2011A State Revolving Fund Program Bond net proceeds representing a State Match allocation (October 2011)
2,788,000	Series 2012B State Revolving Fund Program Bond net proceeds representing a State Match allocation (August 2012)
5,554,400	Series 2014A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2014)
7,000,000	Series 2016A State Revolving Fund Program Bond net proceeds representing a State Match allocation (April 2016)
5,000,000	Series 2017B State Revolving Fund Program Bond net proceeds representing a State Match allocation (November 2017)
\$60,612,420	TOTAL

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

As a result of the foregoing, in early SFY 2020 (September 2019), the State will deposit the additional State Match (\$110,800) required based on grants awarded as of the end of SFY 2019. The State will assure \$554,000 of the FFY 19 Capitalization Grant will remain undrawn until the additional State Match has been deposited and expended by loan disbursements. In addition, the State also anticipates it will deposit additional State Match in early SFY 2020 (September 2019) to match grants expected to be awarded in SFYs 2020 and 2021. This over-match is intended to permit, and will allow, the State to immediately begin to convert its next capitalization grant (upon award expected in SFY 2020) to cash (and deposit it in the DWSRF) based upon incurred costs paid by Program Participants.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF’s State Match; (2) DWSRF’s leveraged loans; (3) Wastewater (WW) SRF’s State Match; and (4) WWSRF’s leveraged loans. These bonds are repaid semi-annually and at the time of each payment the Authority tracks, allocates, and records their payment *first* between WWSRF and DWSRF purposes (with the percentage paid from DWSRF being equal to the proportion of the net bond proceeds originally deposited in DWSRF from those bonds as compared to their total net bond proceeds) and *second* between State Match and leveraged loans purposes (with the payment allocated as a State Match repayment computed and tracked to be no more than the amount of the total DWSRF earnings applied on each payment date toward that bond payment). Set forth in the attached Exhibit G-1 is the principal amount of the State Revolving Fund Program Bonds allocated to State Match purposes for the DWSRF and the principal amount repaid as of the end SFY 2019.

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

Exhibit G - Schedule-1

<i>DRINKING WATER</i>								
Revenue Bonds	Original Par Amount of Bonds Designated as State Match	Par Amount retired during SFY Ending June 30						Remaining Par Amount of Bonds Designated as State Match
		2019	2018	2017	2016	2015	All Prior SFYs	
2001A	\$ 15,680,000				-	-	15,680,000	\$ -
2004B	3,625,835				-	-	3,625,835	-
2006A	1,988,671				-	-	1,988,671	-
2006B	2,359,076				-	-	2,359,076	-
2007B	2,087,648				-	-	2,087,648	-
2009A	6,610,905	900,000	710,000	680,000	665,000	1,260,905	2,395,000	-
2010B	4,083,672			-	-	558,672	3,525,000	-
2011A	1,413,300			-	93,300	320,000	1,000,000	-
2012B	2,390,013	1,620,013		-	-	-	770,000	-
2014A	5,520,000			-	-	5,520,000	-	-
2015B Δ	785,000			-	-	-	-	785,000
2016A	5,960,000	455,000	435,000	340,000	-	-	-	4,730,000
2017B	4,210,000	-	-	-	-	-	-	4,210,000
Total	\$ 56,714,120	2,975,013	1,145,000	1,020,000	758,300	7,659,577	33,431,230	\$ 9,725,000

Notes:

Δ 2015B refinanced a portion of the 2009A Bonds; only the part retired before issuance of 2015B (together with the unrefunded February 1, 2016 maturity of the 2009A Bonds) are shown under 2009A heading.

Indiana DWSRF Loan Program
Exhibit H - Summary of DWSRF Loan Program Loans Closed in SFY 2019

Participant	Closing Date	SRF Loan Amount	Principal Forgiveness Amount	Total Loan and Principal Forgiveness	Estimated Open Market Interest Rate	Estimated Open Market P & I*	SRF Interest Rate	SRF Loan Term (years)	SRF Principal and Interest	SRF Savings
Jackson County Water Utility	8/16/2018	\$ 6,680,000	\$ -	\$ 6,680,000	3.75%	\$ 12,104,574	2.300%	35	\$ 9,798,168	\$ 2,306,406
Mishawaka	10/29/2018	\$ 13,000,000	\$ -	\$ 13,000,000	3.75%	\$ 18,710,145	2.820%	20	\$ 17,186,546	\$ 1,523,600
Morristown	12/10/2018	\$ 3,910,000	\$ -	\$ 3,910,000	3.75%	\$ 5,627,436	2.000%	20	\$ 4,782,455	\$ 844,981
North Judson	12/11/2018	\$ 1,584,000	\$ -	\$ 1,584,000	3.75%	\$ 2,870,306	3.550%	35	\$ 2,791,456	\$ 78,850
Watson Water	12/12/2018	\$ 1,640,000	\$ -	\$ 1,640,000	3.75%	\$ 2,971,782	3.550%	35	\$ 2,890,144	\$ 81,638
Delphi	12/12/2018	\$ 7,420,000	\$ -	\$ 7,420,000	3.75%	\$ 13,445,500	3.550%	35	\$ 13,076,139	\$ 369,360
Nappanee	12/13/2018	\$ 2,538,000	\$ -	\$ 2,538,000	3.75%	\$ 3,652,796	0.000%	20	\$ 2,538,000	\$ 1,114,796
Kirklin	12/14/2018	\$ 1,163,000	\$ 2,555,000	\$ 3,718,000	3.75%	\$ 5,351,102	2.000%	20	\$ 1,422,505	\$ 3,928,596
Crown Point A&B	12/14/2018	\$ 9,181,383	\$ -	\$ 9,181,383	3.75%	\$ 13,214,232	0.000%	20	\$ 9,181,383	\$ 4,032,849
Walkerton	12/20/2018	\$ 4,334,000	\$ 2,850,000	\$ 7,184,000	3.75%	\$ 10,339,514	2.000%	20	\$ 5,301,064	\$ 5,038,450
Evansville	12/21/2018	\$ 77,220,000	\$ -	\$ 77,220,000	3.75%	\$ 111,138,263	3.250%	20	\$ 106,222,108	\$ 4,916,155
Gibson Water	12/29/2019	\$ 994,000	\$ -	\$ 994,000	3.75%	\$ 1,801,190	3.550%	35	\$ 1,751,709	\$ 49,480
Lebanon	2/15/2019	\$ 3,360,000	\$ -	\$ 3,360,000	3.75%	\$ 4,835,853	2.000%	20	\$ 4,109,731	\$ 726,121
Lebanon	2/15/2019	\$ 521,395	\$ -	\$ 521,395	3.75%	\$ 750,414	2.000%	20	\$ 637,736	\$ 112,677
Holland	3/29/2019	\$ 352,000	\$ 265,000	\$ 617,000	3.75%	\$ 888,012	2.000%	20	\$ 430,543	\$ 457,469
Greensburg	6/11/2019	\$ 22,715,000	\$ -	\$ 22,715,000	3.75%	\$ 32,692,381	3.060%	20	\$ 30,705,740	\$ 1,986,641
Pittsboro	6/12/2019	\$ 6,517,000	\$ -	\$ 6,517,000	3.75%	\$ 10,155,390	3.070%	25	\$ 9,429,564	\$ 725,826
TOTAL		\$ 163,129,778	\$ 5,670,000	\$ 168,799,778						\$ 28,293,896

Exhibit I
Expeditious and Timely Use of Funds

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

Sources, Uses and Available Balances in SRF Accounts

The following accounts have been created and exist under the Authority's Drinking Water Trust Indenture and comprise its DWSRF. Set forth on the attached Schedule 1 (the "Use Schedule") is detail on what funds are held in the DWSRF and how they were expeditiously and timely used in SFY 2019 and will continue to be in perpetuity.

Drinking Water Purchase Account

Sources of Funds: Funds held in this account¹ come from proceeds of Program Bonds² issued by the Authority. The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed as of the end of the SFY 2019 as well as loans anticipated to be closed in SFY 2020 and after.

Uses of Funds: These funds are used to make loans for qualified Proposed Projects as permitted by 40 CFR 35.3525(a). This use directly furthers the primary purpose of the DWSRF Loan Program by financing qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

Available Balance: As of July 1, 2019, the aggregate amount of closed and committed loans exceeded the balance in this account ("Excess Commitments"). As additional loans are closed in SFY 2020, such committed amounts will contribute to additional Excess Commitments. The aggregate amount held in this account as of July 1, 2019 is shown in the Use Schedule. Accordingly, none of the funds presently on deposit in this account are available for other SRF Loan Program purposes except to finance closed and committed loans related to qualified Proposed Projects.

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

² These bonds are revenue bonds within the meaning of 40 CFR 35.3525(e), the net proceeds of which were deposited in the DWSRF. To date, the Authority (or its predecessor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as State Match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded but for a small portion of the FFY 2019 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant.

Drinking Water Participant Loan Principal Account

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

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

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

Drinking Water Participant Loan Interest Account

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

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

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

DRINKING WATER RESERVE³ contains the following accounts:

Drinking Water Reserve Earnings Account

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

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

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

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

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

Drinking Water Reserve Grant Account

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

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

Available Balance: The aggregate amount held in this account (as of July 1, 2019 and as anticipated in SFY 2020) is shown in the Use Schedule.⁸ In furtherance of these purposes, the funds in this account are invested with certain short-term investments, State and Local Government Series (SLGS) securities, and treasury and/or agencies obligations.

Drinking Water Reserve Deficiency Account

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

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

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

⁶ State Match in this account came from State Match Revenue Bonds, and is from principal on loan repayments funded from such proceeds. As of July 1, 2019, such amounts related to State Match on deposit in this account have not been applied to Guarantee Revenue Bonds but may be so applied to make any regularly scheduled payments on the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e) and the Authority's Operating Agreement with EPA.

⁷ Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least \$126.3 million, which is to be held in the Reserve accounts and is not anticipated to be used to make loans to Participants. A portion of the reserves have been allocated to the DWSRF for purpose of this Annual Report (as shown in the amount set out in the Use Schedule). This is a minimum invested funds requirement. However, the Authority views invested amounts in excess of the foregoing minimum requirement as security and as a source of payment for the outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement will increase as additional Program Bonds are issued in SFY 2020 and beyond. Such excess purposes are served by the Equity accounts to the extent that they are not anticipated to be used to make loans to Participants.

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

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

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

Available Balance: No amounts were held in this account as of July 1, 2019 nor are any so anticipated in SFY 2020.

DRINKING WATER EQUITY⁹ contains the following accounts:

Drinking Water Equity Grant Account

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

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

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

¹⁰ Pursuant to the financing indentures, the Authority may use these funds if the Reserve Grant Account were insufficient to pay outstanding Program Bonds. Further, the Authority expects that the foregoing minimum requirement of Reserve accounts will increase as additional Program Bonds are issued in SFY 2020 and will result in a transfer of any uncommitted amounts in the Equity Grant Account to the Reserve Grant Account inclusive of any Capitalization Grants drawn into the SRF after July 1, 2019.

¹¹ In addition to meeting any Excess Commitments as of July 1, 2019, additional Excess Commitments will occur before additional Guarantee Revenue Bonds are issued. This will result from closing new loans for qualified Proposed Projects with (a) approved preliminary engineering reports (PERs) as of July 1, 2019, (b) PERs submitted and under review by the DWSRF as of July 1, 2019 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2020), each as detailed in the Use Schedule.

Available Balance: The aggregate amount held in this account (as of July 1, 2019 and as anticipated in SFY 2020) is shown in the Use Schedule.¹² In furtherance of these purposes, the funds in this account are invested with certain short-term investments and State and Local Government Series (SLGS) securities.

Drinking Water Equity Earnings Account

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

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

Available Balance: The aggregate amount held in this account as of July 1, 2019 is shown in the Use Schedule.¹³

Additional Information Concerning Expected Uses of SRF Funds

Use of Available Balances to Meet Closed Loan Commitments. Under its existing practices, the Authority closes DWSRF loans with Participants without the necessity of having available balances in its Purchase Account to fully fund those loan commitments on the date a DWSRF loan is closed. As of July 1, 2019, there were Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2019, (b) PERs submitted and under review by the DWSRF as of July 1, 2019 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2020), the aggregate amount of Excess Commitments would become as shown in the Use Schedule.

The Authority expects to cause additional Program Bonds to be issued at times and in amounts sufficient to meet the funding requirements for loans presently closed and those anticipated to be closed in SFY 2020. Additionally, certain amounts held in the Equity Grant Account and Equity Earnings Account are available and would be used to meet a portion of the projected funding requirements for loans presently closed (and those anticipated to be closed in SFY 2020) in the event additional Guarantee Revenue Bonds could not to be issued.

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

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

Use of Available Balances as a Reserve and Source of Payment for Guarantee Revenue Bonds. Amounts held in the Reserve Deficiency Account, Equity Grant Account, Reserve Grant Account Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(e). In addition to this use, a portion of these funds are also held to meet (a) Excess Commitments in SFY 2020 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances as a Source of Payment for State Match Revenue Bonds. All SRF earnings including amounts held in the Reserve Earnings Account and Equity Earnings Account secure, and are a source of payment, for State Match Revenue Bonds as permitted by 40 CFR 35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2020 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the CWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. As of July 1, 2019, about \$23.6 million has been transferred to DWSRF. As of July 1, 2019, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to approximately \$100.2 million of allowable transfers which includes 33% of the FFY 2019 grant. The full amount of any such potential transfers is banked.

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

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

Exhibit I-Schedule 1

	Account Balances* as of: <u>30-Jun-2019</u> (Actual)	Future Deposits in SFY
<u>A. Funds Committed to Projects by DWSRF</u>		
Purchase Account	\$ 16,200,000	\$ -
	<u>\$ 16,200,000</u>	<u>\$ -</u>
<u>B. Other Funds Held in DWSRF</u>		
Reserve Grant Account	\$ 10,400,000	\$ -
Reserve Earnings Account	-	-
Reserve Support Account	100,000	-
Reserve Deficiency Account	-	-
Equity Grant Account	54,800,000	\$ 29,000,000
Equity Earnings Account	31,700,000	-
	<u>\$ 97,000,000</u>	<u>\$ 29,000,000</u>
Total Available Funds (A. and B. above)	<u><u>\$ 113,200,000</u></u>	<u><u>\$ 29,000,000</u></u>

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

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)	\$ 16,200,000
Closed Loan Excess Commitments (after Application of above Purchase A/C **)	23,300,000
Closed Loan to be funded directly from Equity (undrawn portion of loan)	<u>2,000,000</u>
PERs In-house (approved & under-review) Awaiting Loan Closing	365,600,000
Other Projects on new SFY's PPL, Requesting Loan Funding	<u>22,400,000</u>
1. Use: to cover Loan Demand***	<u>429,500,000</u>
2. Use: to cover Series Reserve Requirement	<u>10,400,000</u>
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:	<u><u>\$ 439,900,000</u></u>

Uses of Funds (1 & 2 above):	\$ 439,900,000
Less: Total Available Funds (A. and B. above)	142,200,000
Amount by which "Possible Uses of Funds" EXCEED "Total Available Funds"	<u><u>\$ 297,700,000</u></u>

Notes:

- * Amounts are approximate & rounded to nearest \$100,000
- ** This amount is a net unfunded amount of closed loans after application of the June 30th on-hand balance.
- *** While use will likely be met with future Program Bonds, possible that on-hand funds could be used. When covered by issuance of Program Bonds used to make subsidized loan, a reserve of 40% to 50% is funded from Equity and additional Program Bonds are used to make pooled loan at a market rate. Such Program Bonds would not be sufficient to meet all needs.

Exhibit J
SFY 2019 DWSRF Loan Program Quarterly Interest Rates¹

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over \$45)	User Rates (\$25 to \$45)	User Rates (Under \$25)
Tier III (Median Household Income ² : under \$40,346)			
1 st Qtr SFY 2019	2.00%	2.00%	2.12%
2 nd Qtr SFY 2019	2.00%	2.00%	2.25%
3 rd Qtr SFY 2019	2.00%	2.00%	2.13%
4 th Qtr SFY 2019	2.00%	2.00%	2.00%
Tier II (Median Household Income: \$40,347 to \$50,432)			
1 st Qtr SFY 2019	2.00%	2.00%	2.37%
2 nd Qtr SFY 2019	2.00%	2.00%	2.50%
3 rd Qtr SFY 2019	2.00%	2.00%	2.38%
4 th Qtr SFY 2019	2.00%	2.00%	2.13%
Tier I (Median Household Income: over \$50,433)			
1 st Qtr SFY 2019	2.00%	2.12%	2.62%
2 nd Qtr SFY 2019	2.00%	2.25%	2.75%
3 rd Qtr SFY 2019	2.00%	2.13%	2.63%
4 th Qtr SFY 2019	2.00%	2.00%	2.38%

¹ Up to an additional .50 percent reduction is possible if a project is financed that includes green/sustainable, including climate resiliency, components. The SRF interest rate may also be reduced if a project includes lead line replacement.

² Median Household Income reflected in the 2012-2016 ACS 5-year Estimate data.

Exhibit K

Summary of Drinking Water Program Fee Sources and Uses

<u>Total Fees Collected</u> \$ 11,000,000

Participant/ Project	Description	Allocated Amount	Expenses	Participant/ Project Balance		
WhyFi Water Admin	Senate Enrolled Act No. 347 (Act) requires all public water utilities in the State of Indiana to provide to the Indiana Finance Authority (IFA) a Non-Revenue Water Audit as identified in the American Water Works Association Manual of Water Supply Practices M-36.	495,270	(495,270)	-		
Jonesboro	To provide the Town of Jonesboro funding to purchase remote water metering equipment.	129,000	(88,936)	40,064		
Lebanon	Installing water main, a raw water main, and electrical improvements at the Sugar Creek WTP. In tandem with SRF funds	521,395	-	521,395		
Lead Sampling Program	To complete the public health goal of ensuring safe drinking water for Indiana public schools, the Authority will implement a lead sampling program. The goal of the program is to fund a voluntary lead sampling program for interested public schools in the state. The program will offer drinking after sampling and testing of Indiana public school buildings to ensure Indiana's public schools are aware of any lead exceedances. The Authority will work with IDEM and any necessary third party contractors who can assist in the development, implementation, training, sampling, and reporting of data.	5,000,000	(3,108,176)	1,891,824		
TOTAL		6,145,665	(3,692,383)	2,453,283		
Loan Repayments				10,372		
Interest Earned				237,579		
		<table border="1"> <tr> <td align="center"> <u>Unallocated Funds</u> \$5,102,286 </td> </tr> </table>	<u>Unallocated Funds</u> \$5,102,286		<table border="1"> <tr> <td align="center"> <u>Account Balance</u> \$7,555,569 </td> </tr> </table>	<u>Account Balance</u> \$7,555,569
<u>Unallocated Funds</u> \$5,102,286						
<u>Account Balance</u> \$7,555,569						

Exhibit L
Summary of DWSRF Transfers

Consistent with its Intended Use Plans and EPA Policy Statement (FRL-6884-7, 65 FR 199, 10/13/00, pg. 60940), the State is reporting on transfers between the CWSRF and the DWSRF. In its Intended Use Plans, the State retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2019, an amount of up to 33 percent of the Safe Drinking Water Act grants for FFYs 1997 through 2019 could be so transferred on a net cumulative basis. Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2019, to date, approximately \$23.6 million has been transferred to the DWSRF from the CWSRF. The following transfers were made from the 1998 Restricted Subaccount of the Wastewater Equity Account held under the Wastewater Indenture, which represents federal grants previously converted to cash and deposited in that account, to the Drinking Water Trustee for deposit in the 1998 Restricted Subaccount of the Drinking Water Equity Account held under the Drinking Water Indenture:

<u>Transfer Dates</u>	<u>Transfer Amounts</u>
August 25, 2000	\$17,479,407
February 15, 2001	2,985,491
May 1, 2002	<u>3,120,183</u>
Total	\$23,585,081

Such transfers did not negatively affect the capacity of the CWSRF to finance proposed projects during SFY 2019.



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

COMBINED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED).....	4
COMBINED FINANCIAL STATEMENTS	
COMBINED STATEMENTS OF NET POSITION	9
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
COMBINED STATEMENTS OF CASH FLOWS	11
NOTES TO COMBINED FINANCIAL STATEMENTS	12
OTHER SUPPLEMENTARY INFORMATION	
COMBINING SCHEDULES - STATEMENTS OF NET POSITION INFORMATION	38
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION	39
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION	40
OTHER REPORT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	41

Independent Auditors' Report

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

Report on the Financial Statements

We have audited the accompanying combined financial statements of State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, which comprise the combined statements of net position as of June 30, 2019 and 2018, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

1.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of State Revolving Fund Loan Programs at June 30, 2019 and 2018, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

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

Report on Other Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of State Revolving Fund Loan Programs' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of State Revolving Fund Loan Programs' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering State Revolving Fund Loan Programs' internal control over financial reporting and compliance.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
September 30, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2019

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview (Management's Discussion and Analysis (MD&A)) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2019. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net position increased by \$66.4 million during the current fiscal year from \$1,357.4 million to \$1,423.8 million. Nonoperating revenues consisted of \$54.6 million of capital contributions (grants) from the U.S. Environmental Protection Agency (EPA) during fiscal year 2019. SRF Programs' net position is restricted for water pollution and drinking water projects and related purposes of SRF Programs.

During the current fiscal year, the SRF Programs' liabilities increased by \$313 million. The primary increase in liabilities is a result of scheduled principal payments and cash defeasing bonds, net of issuing \$520 million in new bonds. The SRF Programs issued 2018A, 2019A, 2019C, and 2019D Bonds for \$520 million, which was new funding for the programs. The SRF Programs cash defeased \$142 million of the partial Series 2010A, 2010C, 2012A, and 2012C bonds.

The SRF Programs disbursed \$572 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loans receivable can be found in Note 4 to the combined financial statements starting on page 20 of this report.

BASIC COMBINED FINANCIAL STATEMENTS

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

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

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2019

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

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

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 12-37 of this report.

In addition to the basic combined financial statements and accompanying notes, this report also presents other supplementary information on pages 38-40. These combining schedules are not a required part of the basic combined financial statements, but they provide detailed financial statement information for each individual program. The combining schedules are included to provide other useful information for the readers of the basic combined financial statements.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2019

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, net position is \$1,423.8 million at the close of the most recent fiscal year.

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

	2019	June 30, 2018	2017
Current assets	\$ 701,215	\$ 619,442	\$ 684,753
Noncurrent assets	<u>2,543,212</u>	<u>2,239,265</u>	<u>2,210,469</u>
Total Assets	<u>3,244,427</u>	<u>2,858,707</u>	<u>2,895,222</u>
 Deferred Outflows of Resources	 <u>15,138</u>	 <u>21,272</u>	 <u>25,294</u>
 Current liabilities	 152,023	 149,158	 119,654
Long-term liabilities	<u>1,683,732</u>	<u>1,373,388</u>	<u>1,491,677</u>
Total Liabilities	<u>1,835,755</u>	<u>1,522,546</u>	<u>1,611,331</u>
 Net Position			
Restricted	<u>1,423,810</u>	<u>1,357,433</u>	<u>1,309,185</u>
Total Net Position	<u>\$1,423,810</u>	<u>\$1,357,433</u>	<u>\$1,309,185</u>

Total assets have increased over the years as the SRF Programs continue to mature, manage new and existing projects, and receive new grants. Typically as new and existing projects are undertaken and completed, additional bonds on behalf of the SRF Programs are issued in order to fund the projects.

In fiscal year 2019, participant needs were met with EPA grants, new bond issuances, and funds on hand.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2019

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

	Years Ended June 30,		
	2019	2018	2017
Operating Revenues			
Interest income-investments	\$ 18,906	\$ 7,202	\$ 2,664
Interest income-participants	60,461	56,104	52,344
Other	<u>803</u>	<u>1,590</u>	<u>425</u>
Total operating revenues	<u>80,170</u>	<u>64,896</u>	<u>55,433</u>
Operating Expenses			
Interest	45,262	47,521	50,968
Bond issuance costs	3,505	1,255	1,624
Trustee fees	74	84	78
Other program and administrative	<u>4,490</u>	<u>5,101</u>	<u>3,452</u>
Total operating expenses	<u>53,331</u>	<u>53,961</u>	<u>56,122</u>
Operating Income (Loss)	26,839	10,935	(689)
Nonoperating Revenues and (Expenses)			
Capital contributions (EPA Grants)	54,619	43,585	12,065
Loan forgiveness	<u>(15,081)</u>	<u>(6,272)</u>	<u>(8,677)</u>
Total nonoperating revenues and (expenses)	<u>39,538</u>	<u>37,313</u>	<u>3,388</u>
Increase in Net Position	66,377	48,248	2,699
Net Position:			
Beginning of Year	<u>1,357,433</u>	<u>1,309,185</u>	<u>1,306,486</u>
End of Year	<u>\$1,423,810</u>	<u>\$1,357,433</u>	<u>\$1,309,185</u>

The SRF Programs' net position increased by \$66.4 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received \$54.6 million in capital contributions (grants) from the EPA for qualified drinking water projects and related program purposes.
- Operating revenues exceeded operating expenses by \$26.8 million.
- The SRF Programs had \$15.1 million in loan forgiveness.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") (UNAUDITED)
June 30, 2019

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount was \$1.8 billion. The amount due represents bonds issued solely for the State Revolving Fund Loan Programs.

State Revolving Fund Loan Programs' Outstanding Debt
(In Thousands of Dollars)

	2019	2018	2017
Net Bond Indebtedness	<u>\$1,803,942</u>	<u>\$1,494,373</u>	<u>\$1,581,302</u>

During the current fiscal year, the SRF Programs' debt increased by \$310 million. The primary increase in debt is a result of scheduled principal payments and cash defeasing bonds, net of issuing \$520 million in new bonds. The SRF Programs issued Series 2018A, 2019A, 2019C, and 2019D Bonds for \$520 million, which was new funding for the programs. The SRF Programs cash defeased \$142 million of the partial Series 2010A, 2010C, 2012A and 2012C Bonds.

Additional information on the SRF Programs' long-term debt can be found in Notes 7 and 8 to the combined financial statements on pages 22-36 of this report.

REQUESTS OF INFORMATION

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

COMBINED FINANCIAL STATEMENTS

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and equivalents	\$ 527,560,673	\$ 466,337,517
Interest receivable	30,588,648	25,632,441
Due from EPA	384,502	208,277
Accounts receivable	33,500	1,000
Loans receivable-current, net	142,647,483	127,262,636
Total Current Assets	701,214,806	619,441,871
Noncurrent Assets:		
Investments	105,492,679	226,160,746
Loans receivable, net	2,437,612,328	2,012,996,989
Equipment, net	106,714	107,175
Total Noncurrent Assets	2,543,211,721	2,239,264,910
Total Assets	3,244,426,527	2,858,706,781
DEFERRED OUTFLOWS OF RESOURCES		
Loss on debt refunding	15,138,221	21,272,612
Total Deferred Outflows of Resources	15,138,221	21,272,612
LIABILITIES		
Current Liabilities:		
Interest payable	30,746,843	26,877,811
Accounts payable	1,066,288	679,015
Amount due to federal government	-	616,050
Bonds payable-current, net	120,210,000	120,985,000
Total Current Liabilities	152,023,131	149,157,876
Long-term Liabilities:		
Bonds payable, net	1,683,731,542	1,373,388,225
Total Long-term Liabilities	1,683,731,542	1,373,388,225
Total Liabilities	1,835,754,673	1,522,546,101
NET POSITION		
Restricted for water pollution and drinking water projects and other related program purposes	\$ 1,423,810,075	\$ 1,357,433,292

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Interest income-investments	\$ 18,906,464	\$ 7,201,906
Interest income-loan participants	60,460,832	56,103,869
Administration and premium fees	60,135	43,158
Other	743,170	1,546,634
Total Operating Revenues	80,170,601	64,895,567
OPERATING EXPENSES		
Interest	45,262,498	47,520,830
Bond issuance costs	3,504,627	1,254,971
Trustee fees	73,850	83,530
Other program and administrative	4,490,261	5,101,307
Total Operating Expenses	53,331,236	53,960,638
OPERATING INCOME	26,839,365	10,934,929
NONOPERATING REVENUES AND (EXPENSES)		
Capital contributions (EPA Grants)	54,618,855	43,585,280
Loan forgiveness	(15,081,437)	(6,272,281)
Total Nonoperating Revenues and (Expenses)	39,537,418	37,312,999
INCREASE IN NET POSITION	66,376,783	48,247,928
NET POSITION		
Beginning of Year	1,357,433,292	1,309,185,364
End of Year	\$ 1,423,810,075	\$ 1,357,433,292

See accompanying notes.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	\$ (4,081,757)	\$ (3,920,075)
Administration fee	<u>60,135</u>	<u>43,158</u>
Net Cash Used by Operating Activities	<u>(4,021,622)</u>	<u>(3,876,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	131,562,326	156,794,002
Issuance of loans to participants	(571,562,512)	(321,927,186)
Change in investments	120,668,067	136,090,448
Interest received on loans and investments	<u>74,411,089</u>	<u>61,005,519</u>
Net Cash Provided (Used) by Investing Activities	<u>(244,921,030)</u>	<u>31,962,783</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	615,661,794	179,326,022
Principal payments to reduce indebtedness including refunding	(273,133,720)	(242,218,716)
Payment of debt issuance costs, net of refunding	(3,504,627)	(1,254,971)
Interest paid on debt	<u>(68,218,832)</u>	<u>(69,110,538)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>270,804,615</u>	<u>(133,258,203)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	54,442,630	43,773,365
Issuance of forgivable loans to participants	<u>(15,081,437)</u>	<u>(6,272,281)</u>
Net Cash Provided by Capital Financing Activities	<u>39,361,193</u>	<u>37,501,084</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	61,223,156	(67,671,253)
CASH AND EQUIVALENTS		
Beginning of Year	<u>466,337,517</u>	<u>534,008,770</u>
End of Year	<u>\$ 527,560,673</u>	<u>\$ 466,337,517</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 26,839,365	\$ 10,934,929
Adjustments to reconcile operating income to net cash used by operating activities:		
Depreciation	461	461
Interest income	(79,367,296)	(63,305,775)
Interest expense	45,262,498	47,520,830
Bond issuance costs	3,504,627	1,254,971
Changes in assets and liabilities:		
Accounts receivable	(32,500)	(1,000)
Accounts payable	387,273	(12,565)
Amount due to federal government	<u>(616,050)</u>	<u>(268,768)</u>
Net Cash Used by Operating Activities	<u>\$ (4,021,622)</u>	<u>\$ (3,876,917)</u>

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The SRF Programs follow GASB pronouncements.

The Wastewater State Revolving Fund Loan Program and Drinking Water State Revolving Fund Loan Program: The federal Water Quality Act of 1987 as amended in 1996, and further amended by the Water Resources and Development Act (WRRDA) of 2014 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), as replaced by Indiana Code 5-1.2-10 effective July 1, 2018, the State of Indiana (State) originally established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), as replaced by Indiana Code 5-1.2-10 effective July 1, 2018, the State also has established a public drinking water system program to provide financial assistance for eligible projects. The SRF Programs provide both loans and forgivable loans to public water systems for eligible projects.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 2004B Bonds, which by operation of law effective May 15, 2005, such liability of the SRF Programs became the liability of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2004B, 2006A, 2009A, 2010A, 2010B, 2010C, 2011A, 2012A, 2012B, 2012C, 2013A, 2014B, 2015A, 2015B, 2016A, 2016B, 2016D, 2016E, 2017B, 2017C, 2018A, 2019A, 2019C and 2019D Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 7 and are secured by a common trust estate supported in part by participant loan repayments.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted Net Position: Restricted net position is available for providing financial assistance related to water pollution control and drinking water projects and other purposes of the SRF Programs.

Cash and Equivalents: Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments: Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2019 and 2018, fair value approximates cost. Changes in the fair value of investments are included in the combined statements of revenues, expenses and changes in net position.

Allowance for Doubtful Accounts: Management's estimate of the allowance for doubtful accounts is determined by the forgivable loans closed by the SRF Programs, and by a review of individual loan balances' collectability. The allowance for doubtful accounts was \$29,349,848 and \$18,862,222 at June 30, 2019 and 2018, respectively.

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

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

Reclassifications: Certain amounts in the fiscal year 2018 combined financial statements have been reclassified to conform to the presentation of the fiscal year 2019 combined financial statements.

Subsequent Events: The Authority has evaluated the combined financial statements for subsequent events occurring through September 30, 2019, the date the combined financial statements were available to be issued. See Note 11.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS

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

A summary of cash and equivalents and investments as of June 30, 2019 and 2018 follows:

	<u>2019</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 188,689,073	\$ 43,463,028	\$ 232,152,101
Bank deposits	136,017,538	33,248,732	169,266,270
Government obligations	<u>183,930,062</u>	<u>47,704,919</u>	<u>231,634,981</u>
	<u>\$ 508,636,673</u>	<u>\$ 124,416,679</u>	<u>\$ 633,053,352</u>
	<u>2018</u>		
	<u>Wastewater</u>	<u>Drinking Water</u>	<u>Total</u>
Money market funds	\$ 245,680,765	\$ 83,109,782	\$ 328,790,547
Government obligations	<u>291,157,936</u>	<u>72,549,780</u>	<u>363,707,716</u>
	<u>\$ 536,838,701</u>	<u>\$ 155,659,562</u>	<u>\$ 692,498,263</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2019, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Money market funds	\$ 188,689	\$ 188,689	\$ -	\$ -	\$ -
Bank deposits	136,018	136,018	-	-	-
Government obligations	<u>183,929</u>	<u>106,034</u>	<u>65,309</u>	<u>12,586</u>	<u>-</u>
	<u>\$ 508,636</u>	<u>\$ 430,741</u>	<u>\$ 65,309</u>	<u>\$ 12,586</u>	<u>\$ -</u>

	Drinking Water				
	Investment Maturities (in years)				
Fair Value	< 1	1 - < 5	5 - < 10	> 10	
Money market funds	\$ 43,463	\$ 43,463	\$ -	\$ -	\$ -
Bank deposits	33,249	33,249	-	-	-
Government obligations	<u>47,705</u>	<u>20,108</u>	<u>23,260</u>	<u>4,337</u>	<u>-</u>
	<u>\$ 124,417</u>	<u>\$ 96,820</u>	<u>\$ 23,260</u>	<u>\$ 4,337</u>	<u>\$ -</u>

Credit Risk Disclosure: The following table (in thousands of dollars) provides information on the credit ratings associated with the SRF Programs' investments in debt securities at June 30, 2019:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AA+	AAA	Aaa	\$ 226,858
	AAAm	N/A	Aaa-mf	5,294
Bank deposits	N/A	F1+	P-1	169,267
Government obligations	AA+	AAA	Aaa	<u>231,634</u>
Total Rated Investments				<u>\$ 633,053</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 2 - CASH AND EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

Concentration of Credit Risk: The SRF Programs place no limit on the amount that may be invested in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2019:

Blackrock Federal FD INSTL 30	27%
Bank Deposits	27%
Federal Governmental Agency Debt	18%
US Treasury	18%
Dreyfus Government CM INST 289	8%

NOTE 3 - FAIR VALUE MEASUREMENTS

The SRF Programs have categorized their assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the SRF Programs has the ability to access.

Level 2 – Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the SRF Programs make estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the SRF Programs for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at June 30, 2019 and 2018.

Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds are deemed to be actively traded.

Bank Deposits: Determined by discounting the related cash flows on current yields of similar investments with comparable durations considering the credit-worthiness of the issuer.

Government Obligations: Valued using pricing models maximizing the use of observable inputs for similar securities.

For those assets measured at fair value, management determines the fair value measurement policies and procedures. Those policies and procedures are reassessed at least annually to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted, as necessary, based on current market conditions and other third-party information.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the SRF Programs' management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets could result in a different fair value measurement at the reporting date.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, within each level of the fair value hierarchy, of the SRF Programs' assets that are measured at fair value on a recurring basis as of June 30, 2019 and 2018:

2019	Level 1	Level 2	Total
Assets			
Cash Equivalents:			
Money Market Fund Shares	\$232,152,101	\$ -	\$232,152,101
Bank Deposits	-	169,266,270	169,266,270
Government Obligations	-	126,142,302	126,142,302
Investments:			
Government Obligations	<u>-</u>	<u>105,492,679</u>	<u>105,492,679</u>
Total Assets at Fair Value	<u>\$232,152,101</u>	<u>\$400,901,251</u>	<u>\$633,053,352</u>
2018	Level 1	Level 2	Total
Assets			
Cash Equivalents:			
Money Market Fund Shares	\$328,790,547	\$ -	\$328,790,547
Government Obligations	-	137,546,970	137,546,970
Investments:			
Government Obligations	<u>-</u>	<u>226,160,746</u>	<u>226,160,746</u>
Total Assets at Fair Value	<u>\$328,790,547</u>	<u>\$363,707,716</u>	<u>\$692,498,263</u>

At June 30, 2019 and 2018, the SRF Programs had no other assets and no liabilities that are measured at fair value on a recurring basis.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 4 - LOANS RECEIVABLE

The net proceeds from the issuance of the Revenue Bonds were deposited in the SRF Programs Account and are used primarily to fund loans to participants for eligible projects. The State's current intended use plans include a list of publicly-owned wastewater treatment works, a list of drinking water systems, and other projects proposed by eligible participants, which the State anticipates will be eligible for financial assistance.

The loans receivable balance at June 30, 2019 and 2018 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

	Loans Receivable as of June 30, 2019	Loans Receivable as of June 30, 2018	Actual Loan Available Less Principal Repayments as of June 30, 2019
Wastewater Fund	\$2,115,391,312	\$1,792,721,660	\$2,334,379,694
Drinking Water Fund	<u>464,868,499</u>	<u>347,537,965</u>	<u>497,450,593</u>
Total All Loans	<u>\$2,580,259,811</u>	<u>\$2,140,259,625</u>	<u>\$2,831,830,287</u>

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Loans receivable includes current portions of \$142,647,483 at June 30, 2019 and \$127,262,636 at June 30, 2018.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

As of June 30, 2019, the outstanding balances of closed loans exceeding 50 percent of the total loans receivable and representing the Programs' largest borrowers are summarized below:

Name of Participant	Loans Receivable as of June 30, 2019	Loans Receivable as of June 30, 2018	Actual Loan Available Less Principal Repayments as of June 30, 2019
Wastewater Fund			
City of Fort Wayne	\$ 275,132,564	\$ 279,310,351	\$ 395,230,025
City of Evansville	258,221,934	144,447,478	264,518,000
City of Terre Haute	202,015,000	140,374,000	202,015,000
Citizens Water Authority	171,757,389	169,325,527	171,757,389
City of Indianapolis (escrow)	168,512,000	186,513,000	168,512,000
Drinking Water Fund			
City of Evansville	\$ 77,220,000	\$ -	\$ 77,220,000
City of East Chicago	42,373,234	42,975,077	43,090,000
City of Greensburg	30,659,273	9,739,867	30,659,273
City of Fort Wayne	29,911,000	33,670,000	29,911,000
Town of Bargersville	15,275,000	15,920,000	15,275,000
City of Mishawaka	13,000,000	-	13,000,000
Jackson County Water Utility Inc	11,962,000	5,589,935	11,962,000
City of Bloomington	10,160,000	12,173,000	10,160,000
City of Lake Station	9,520,298	10,014,298	9,544,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 5 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2019:	Investments	Loans	Total
Wastewater	\$ 1,109,085	\$ 24,331,365	\$ 25,440,450
Drinking Water	<u>288,207</u>	<u>4,859,991</u>	<u>5,148,198</u>
	<u>\$ 1,397,292</u>	<u>\$ 29,191,356</u>	<u>\$ 30,588,648</u>
Interest receivable at June 30, 2018:	Investments	Loans	Total
Wastewater	\$ 1,235,549	\$ 20,770,102	\$ 22,005,651
Drinking Water	<u>379,095</u>	<u>3,247,695</u>	<u>3,626,790</u>
	<u>\$ 1,614,644</u>	<u>\$ 24,017,797</u>	<u>\$ 25,632,441</u>

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

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. Any estimated liabilities, which were calculated as of January 31, 2019, are recorded in both the general short-term debt group for the current portion and the general long-term debt account group for the long-term portion. With respect to such bonds, as of June 30, 2019, the SRF Programs had no liabilities. As of June 30, 2018, the SRF Programs had liabilities of \$537,354 for the Wastewater Fund and \$78,696 for the Drinking Water Fund.

NOTE 7 - BONDS PAYABLE

The SRF Programs are structured to provide cross-collateralization in accordance with Federal Environmental Law, the bond indenture and SRF indentures, generally by providing a mechanism for pledged funds from either of the SRF Programs to be made available to the other. To effect such cross-collateralization, the SRF indentures allow the SRF trustee to disburse certain assets in the trust estate from either SRF Program and at the written direction of the program representative to collateralize, fund, or secure the other SRF Program, including transfers between the Drinking Water Fund and the Wastewater Fund, subject to provisions of State Environmental Law and Federal Environmental Law. However, under Federal Environmental Law, the bond indenture, and SRF indentures, cross-collateralization may not be used to provide for payment of debt service on bonds.

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

Bonds payable at June 30, 2019 and 2018 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2019	2018
<u>Wastewater Fund:</u>		
Series 2019C Bonds issued June 4, 2019 for the aggregate amount of \$81,275,000, maturing from February 1, 2023 to February 1, 2036 at an interest rate of 5.00%. Of this, \$49,850,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	\$ 49,850,000	\$ -
Series 2019A Bonds issued January 24, 2019 for the aggregate amount of \$266,740,000, maturing from February 1, 2026 to February 1, 2039 at an interest rate of 5.00%. The whole amount was allocated to the WSRF Program.	266,740,000	-
Series 2018A Bonds issued October 24, 2018 for the aggregate amount of \$153,195,000, maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$110,000,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	110,000,000	-
Series 2017C Refunding Bonds issued November 1, 2017 for the aggregate amount of \$124,495,000 to refund the callable portion of Series 2010B, 2011A, and 2012B Bonds, maturing from February 1, 2018 to February 1, 2031 at an interest rate of 5.00%. Of this, \$82,415,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	81,765,000	81,765,000
Series 2017B Bonds issued November 1, 2017 for the aggregate amount of \$21,045,028, maturing from February 1, 2020 to February 1, 2028 at an interest rate of 5.00%. Of this, \$16,835,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.	16,835,000	16,835,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTIUNED)

	2019	2018
<p>Series 2016E Refunding Bonds issued October 12, 2016 for the aggregate amount of \$85,930,000 to refund the callable portion of Series 2010B and 2012B Bonds, maturing from February 1, 2022 to February 1, 2030 at interest rates ranging from 3.00% to 5.00%. Of this, \$78,400,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	\$ 78,400,000	\$ 78,400,000
<p>Series 2016D Refunding Bonds issued October 12, 2016 for the aggregate amount of \$164,445,000, maturing from February 1, 2020 to August 1, 2046 at interest rates ranging from 3.00 %to 5.00%. The whole amount was allocated to the WSRF Program.</p>	164,445,000	164,445,000
<p>Series 2016B Refunding Bonds issued April 7, 2016 for the aggregate amount of \$53,115,000 to refund the callable portion of Series 2006B and 2009A Bonds, maturing from February 1, 2020 to February 1, 2028 at an interest rate of 5.00%. Of this, \$48,240,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	48,240,000	48,240,000
<p>Series 2016A Bonds issued April 7, 2016 for the aggregate amount of \$62,675,000, maturing from February 1, 2017 to February 1, 2036 at interest rates ranging from 4.00% to 5.00%. Of this, \$56,715,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	53,645,000	54,780,000
<p>Series 2015B Refunding Bonds issued March 19, 2015 for the aggregate amount of \$139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this, \$118,531,184 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	104,653,244	110,456,498

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2015A Bonds issued February 11, 2015 for the aggregate amount of \$100,000,000, maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$90,740,692 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	\$ 90,740,692	\$ 90,740,692
<p>Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of \$68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, \$53,790,822 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	35,844,929	45,234,733
<p>Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2004B, 2004C, 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2024 at interest rates ranging from 3.00% to 5.00%. Of this, \$32,210,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	32,210,000	32,210,000
<p>Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2020 to February 1, 2032 at interest rates ranging from 3.00% to 5.00%. Of this, \$99,415,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2019, \$70,875,000 was cash defeased.</p>	28,540,000	99,415,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$122,110,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, \$23,595,000 was refunded. In October 2016, \$43,910,000 was refunded. In November 2017, \$43,035,000 was refunded.</p>	\$ 6,655,000	\$ 6,655,000
<p>Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from February 1, 2013 to February 1, 2026 at interest rates ranging from 2.00% to 5.00%. Of this, \$126,070,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In April 2019, \$29,565,000 was cash defeased.</p>	76,815,000	107,310,000
<p>Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B, and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, \$57,370,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In April 2019, \$9,080,000 was cash defeased.</p>	48,290,000	57,370,000
<p>Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$80,000,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In October 2016, \$42,325,000 was refunded. In November 2017, \$5,175,000 was refunded.</p>	7,775,000	9,675,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B, and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$246,735,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2019, \$13,375,000 was cash defeased.</p>	\$ 37,990,000	\$ 99,050,000
<p>Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$121,235,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, \$57,410,000 was refunded. In April 2016, \$40,330,000 was refunded.</p>	-	6,150,000
<p>Series 2006A Bonds issued April 25, 2006 for the aggregate amount of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$24,945,000 was refunded and \$3,265,000 was cash defeased. In April 2014, \$1,750,000 was refunded and \$50,180,000 was cash defeased.</p>	-	21,335,000
<p>Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this, \$167,480,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$13,549,109 was refunded. In October 2010, \$6,528,667 was refunded. In February 2012, \$38,610,798 was refunded and in February 2013, \$4,260,000 was cash defeased. In April 2014, \$13,312,319 was cash defeased.</p>	-	6,875,320
Subtotal-Wastewater	<u>\$ 1,339,433,865</u>	<u>\$ 1,136,942,243</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<u>Drinking Water Fund:</u>		
Series 2019D Bonds issued June 4, 2019 for the aggregate amount \$18,570,000 maturing from February 1, 2023 to February 1, 2036 at an interest rate of 5.00%. The whole amount was allocated to the DWSRF Program.	\$ 18,570,000	\$ -
Series 2019C Bonds issued June 4, 2019 for the aggregate amount of \$81,275,000 maturing from February 1, 2023 to February 1, 2036 at an interest rate of 5.00%. Of this, \$31,425,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	31,425,000	-
Series 2018A Bonds issued October 24, 2018 for the aggregate amount of \$153,195,000 maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$43,195,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	43,195,000	-
Series 2017C Refunding Bonds issued November 1, 2017 for the aggregate amount of \$124,495,000 to refund the callable portion of Series 2010B, 2011A, and 2012B Bonds, maturing from February 1, 2018 to February 1, 2031 at an interest rate of 5.00%. Of this, \$42,080,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	41,700,000	41,700,000
Series 2017B Bonds issued November 1, 2017 for the aggregate amount of \$21,045,000, maturing from February 1, 2020 to February 1, 2028 at an interest at interest rate of 5.00%. Of this, \$4,210,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.	4,210,000	4,210,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2016E Refunding Bonds issued October 12, 2016 for the aggregate amount of \$85,930,000 to refund the callable portion of the Series 2010B Bonds, maturing from February 1, 2022 to February 1, 2030 at interest rates ranging from 3.00% to 5.00%. Of this, \$7,530,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	\$ 7,530,000	\$ 7,530,000
<p>Series 2016B Refunding Bonds issued April 7, 2016 for the aggregate amount of \$53,115,000 to refund the callable portion of Series 2006B and 2009A Bonds, maturing from February 1, 2020 to February 1, 2028 at an interest rate of 5.00%. Of this, \$4,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	4,875,000	4,875,000
<p>Series 2016A Bonds issued April 7, 2016 for the aggregate amount of \$62,675,000, maturing from February 1, 2017 to February 1, 2036 at interest rates ranging from 4.00% to 5.00%. Of this, \$5,960,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	4,730,000	5,185,000
<p>Series 2015B Refunding Bonds issued March 19, 2015 for the aggregate amount of \$139,715,000 to refund the callable portion of Series 2007A, 2007B, 2009A, and 2012B Bonds, maturing from February 1, 2016 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this, \$21,183,816 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	18,941,756	20,323,502

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2015A Bonds issued February 11, 2015 for the aggregate amount of \$100,000,000, maturing from February 1, 2020 to February 1, 2035 at an interest rate of 5.00%. Of this, \$9,259,308 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	\$ 9,259,308	\$ 9,259,308
<p>Series 2014B Refunding Bonds issued April 24, 2014 for the aggregate amount of \$68,350,000 to refund the callable portion of Series 2006B, 2007A, and 2007B Bonds, maturing from February 1, 2015 to February 1, 2022 at interest rates ranging from 2.00% to 5.00%. Of this, \$14,559,178 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	8,880,071	11,760,267
<p>Series 2013A Refunding Bonds issued February 26, 2013 for the aggregate amount of \$45,090,000 to refund the callable portion of Series 2005A, 2006A, and 2006B Bonds, maturing from February 1, 2019 to February 1, 2024 at interest rates ranging from 3.00% to 5.00%. Of this, \$12,880,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	11,315,000	12,880,000
<p>Series 2012C Bonds issued December 13, 2012 for the aggregate amount of \$109,595,000, maturing from February 1, 2021 to February 1, 2032 at interest rates ranging from 4.00% to 5.00%. Of this, \$10,180,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2019, \$6,705,000 was cash defeased.</p>	3,475,000	10,180,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2012B Bonds issued August 30, 2012 for the aggregate amount of \$139,255,000, maturing from February 1, 2013 to February 1, 2031 at interest rates ranging from 1.50% to 5.00%. Of this, \$17,145,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, \$6,085,000 was refunded. In November 2017, \$5,695,000 was refunded.</p>	\$ 75,000	\$ 4,595,000
<p>Series 2012A Refunding Bonds issued February 8, 2012 for the aggregate amount of \$137,945,000 to refund the callable portion of Series 2001A, 2004B, and 2004C Bonds, maturing from February 1, 2013 to February 1, 2026 at interest rates ranging from 2.00% to 5.00%. Of this, \$11,875,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In April 2019, \$150,000 was cash defeased.</p>	6,815,000	7,090,000
<p>Series 2011A Bonds issued October 26, 2011 for the aggregate amount of \$191,385,000, maturing from February 1, 2012 to February 1, 2030 at interest rates ranging from 1.00% to 5.00%. Of this, \$50,870,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In November 2017, \$37,295,000 was refunded.</p>	5,905,000	7,640,000
<p>Series 2010C Refunding Bonds issued October 20, 2010 for the aggregate amount of \$64,925,000 to refund the callable portion of Series 2001A, 2002B, and 2004B Bonds, maturing from February 1, 2020 to February 1, 2023 at an interest rate of 5.00%. Of this, \$7,555,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program.</p>	7,555,000	7,555,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
<p>Series 2010B Bonds issued October 20, 2010 for the aggregate amount of \$100,000,000, maturing from February 1, 2011 to February 1, 2030 at interest rates ranging from 1.50% to 5.00%. Of this, \$20,000,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In October 2016, \$8,205,000 was refunded. In November 2017, \$2,560,000 was refunded.</p>	\$ 2,570,000	\$ 3,220,000
<p>Series 2010A Refunding Bonds issued February 2, 2010 for the aggregate amount of \$288,970,000 to refund the callable portion of Series 2000B, 2001A, 2002B, 2004B, and 2004C Bonds, maturing from February 1, 2011 to February 1, 2024 at interest rates ranging from 2.00% to 5.00%. Of this, \$42,235,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In April 2019, \$12,310,000 was cash defeased.</p>	8,225,000	23,135,000
<p>Series 2009A Bonds issued November 24, 2009 for the aggregate amount of \$138,990,000, maturing from February 1, 2011 to February 1, 2028 at interest rates ranging from 2.00% to 5.00%. Of this, \$17,755,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In March 2015, \$6,715,000 was refunded. In April 2016, \$5,185,000 was refunded.</p>	-	900,000
<p>Series 2006A Bonds issued April 25, 2006 for the aggregate amount of \$221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, \$17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2013, \$4,405,000 was refunded. In April 2014, \$85,000 was cash defeased.</p>	-	1,635,000

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

	2019	2018
Series 2004B Bonds issued April 7, 2004 for the aggregate amount of \$200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, \$32,520,000 was the final allocation to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In February 2010, \$2,310,891 was refunded. In October 2010, \$1,201,333 was refunded. In February 2012, \$7,669,202 was refunded. In April 2014, \$3,622,681 was cash defeased.	<u>\$ -</u>	<u>\$ 1,334,680</u>
Subtotal-Drinking Water	<u>239,251,135</u>	<u>185,007,757</u>
Total Principal	1,578,685,000	1,321,950,000
Net premium on bonds payable	<u>225,256,542</u>	<u>172,423,225</u>
Total Bonds Payable	1,803,941,542	1,494,373,225
Less: Current portion	<u>120,210,000</u>	<u>120,985,000</u>
Long-term Portion	<u>\$1,683,731,542</u>	<u>\$ 1,373,388,225</u>

In April 2019, the Authority legally cash defeased SRF Bonds from Series 2010A, 2010C, 2012A, and 2012C to their respective call dates. The Authority deposited \$153,796,930 with the trustee to defease a par amount of \$142,060,000, producing present value savings of \$19,975,655 or 14.06% of the refunded bonds.

In November 2017, the Authority issued \$124,495,000 Series 2017C Refunding Bonds. The bonds were sold at a premium and refunded \$136,255,000 par amount of prior debt. The refunding debt was used to refund callable portion of the Series 2010B, 2011A, and 2012B Bonds. The cash flow savings was \$18,313,569 with a present value savings of \$15,319,412.

The bonds referred to above are considered to have been defeased and have been removed from the combined financial statements and in total the defeased balances outstanding are \$372,755,000 and \$370,015,000 as of June 30, 2019 and 2018, respectively.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 7 - BONDS PAYABLE (CONTINUED)

The aggregate debt service requirements and premiums for all bonds allocable to the SRF Programs as of June 30, 2019, are as follows:

	<u>Principal</u>			<u>Interest</u>			<u>Debt Service Total</u>
	<u>Wastewater Fund</u>	<u>Drinking Water Fund</u>	<u>Total</u>	<u>Wastewater Fund</u>	<u>Drinking Water Fund</u>	<u>Total</u>	
2020	\$ 97,699,774	\$ 22,510,226	\$ 120,210,000	\$ 65,129,664	\$ 10,837,751	\$ 75,967,415	\$ 196,177,415
2021	104,456,710	23,668,290	128,125,000	60,909,698	10,610,695	71,520,393	199,645,393
2022	81,118,775	17,761,225	98,880,000	56,039,513	9,514,881	65,554,394	164,434,394
2023	71,199,754	17,720,246	88,920,000	52,076,274	8,693,020	60,769,294	149,689,294
2024	79,137,199	16,062,801	95,200,000	48,528,486	7,840,057	56,368,543	151,568,543
2025-2029	407,167,786	68,272,214	475,440,000	182,877,104	28,440,590	211,317,694	686,757,694
2030-2034	261,732,297	58,197,703	319,930,000	94,007,749	12,381,689	106,389,438	426,319,438
2035-2039	196,836,570	15,058,430	211,895,000	35,423,454	928,672	36,352,126	248,247,126
2040-2044	25,385,000	-	25,385,000	5,815,100	-	5,815,100	31,200,100
2045-2047	14,700,000	-	14,700,000	893,700	-	893,700	15,593,700
	<u>1,339,433,865</u>	<u>239,251,135</u>	<u>1,578,685,000</u>	<u>601,700,742</u>	<u>89,247,355</u>	<u>690,948,097</u>	<u>2,269,633,097</u>
Premium	<u>191,132,857</u>	<u>34,123,685</u>	<u>225,256,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,256,542</u>
Total	<u>\$1,530,566,722</u>	<u>\$273,374,820</u>	<u>\$1,803,941,542</u>	<u>\$601,700,742</u>	<u>\$89,247,355</u>	<u>\$690,948,097</u>	<u>\$2,494,889,639</u>

**STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018**

NOTE 7 - BONDS PAYABLE (CONTINUED)

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

	Interest Rates Ranges	Maturity Range	Annual Principal Payment Range	Principal
Wastewater Fund	3.00% - 5.00%	2020-2046	\$ 3,060,000 - \$104,456,710	\$1,339,433,865
Drinking Water Fund	3.00% - 5.00%	2020-2036	3,515,000 - 23,668,290	<u>239,251,135</u>
Combined Programs	3.00% - 5.00%	2020-2046	3,060,000 - 128,125,000	1,578,685,000
Less: Current Portion				<u>(120,210,000)</u>
Total Long-term Portion				<u>\$1,458,475,000</u>

The bond agreements allow for remedies in case there is an event of default. An event of default can be (i) default in the due and punctual payment of any principal or interest on any bond (ii) any warranty, representation or other statement contained in the bond indenture or bonds that is false or misleading and not remedied in appropriate time (iii) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the SRF Programs contained in the bond indenture or in the bonds (iv) a petition is filed against the SRF Programs or the SRF Programs file a petition under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation of any jurisdiction and (v) the SRF Programs are generally not paying their debts as such debts become due.

The remedies include the following (i) the bond trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the bonds (ii) the bond trustee may by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the holders of the bonds and may take such action with respect to the participant loans and the SRF Programs' indentures as the bond trustee deems necessary or appropriate and in the best interest of the bondholders (iii) upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the bond trustee and of the bondholders under the bond indenture, the bond trustee will be entitled to the appointment of a receiver or receivers of the trust estate and (iv) use the assets of the series trust estate for any series of bonds solely for payment of the principal and interest due on such series of bonds.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
June 30, 2019:						
Amount due to federal government	\$ 616,050	\$ -	\$ (616,050)	\$ -	\$ -	\$ -
Bonds payable	1,321,950,000	519,780,000	(263,045,000)	1,578,685,000	120,210,000	1,458,475,000
Net premium on bonds payable	<u>172,423,225</u>	<u>95,881,794</u>	<u>(43,048,477)</u>	<u>225,256,542</u>	<u>-</u>	<u>225,256,542</u>
	<u>\$1,494,989,275</u>	<u>\$615,661,794</u>	<u>\$(306,709,527)</u>	<u>\$1,803,941,542</u>	<u>\$120,210,000</u>	<u>\$1,683,731,542</u>
June 30, 2018:						
Amount due to federal government	\$ 884,818	\$ -	\$ (268,768)	\$ 616,050	\$ 616,050	\$ -
Bonds payable	1,404,205,000	145,540,000	(227,795,000)	1,321,950,000	120,985,000	1,200,965,000
Net premium on bonds payable	<u>177,097,180</u>	<u>33,786,022</u>	<u>(38,459,977)</u>	<u>172,423,225</u>	<u>-</u>	<u>172,423,225</u>
	<u>\$1,582,186,998</u>	<u>\$179,326,022</u>	<u>\$(266,523,745)</u>	<u>\$1,494,989,275</u>	<u>\$121,601,050</u>	<u>\$1,373,388,225</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
NOTES TO COMBINED FINANCIAL STATEMENTS
Years Ended June 30, 2019 and 2018

NOTE 9 - FUND TRANSFERS

Consistent with its Intended Use Plans and EPA's related Policy Statement, the Authority is required to report on transfers between the DWSRF and the WSRF in its combined financial statements. In its Intended Use Plans, the SRF Programs retained the flexibility to make transfers of grants (and other funds) held in or allocable to such funds to the extent permitted by the Clean Water Act and the Safe Drinking Water Act. As of June 30, 2019, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2019 could be so transferred on a net cumulative basis between the two SRF Programs funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2019, to date, the following transfers were made:

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

NOTE 10 - PROGRAM REVENUE

For the years ended June 30, 2019 and 2018, program revenues consisted of the following:

	2019	2018
Interest and other income	\$ 80,170,601	\$ 64,895,567
Capital contributions (EPA Grants)	<u>54,618,855</u>	<u>43,585,280</u>
	<u>\$134,789,456</u>	<u>\$108,480,847</u>

NOTE 11 - SUBSEQUENT EVENT

On September 6, 2019, the Indiana Finance Authority closed a loan with U.S. EPA in the amount of \$436 million pursuant to a program authorized under Subtitle C of the Water Resources Reform and Development Act of 2014, which is referred to as the Water Infrastructure Finance and Innovation Act of 2014 ("WIFIA"). The proceeds of WIFIA loan will provide additional funding for the participant loans.

OTHER SUPPLEMENTARY INFORMATION

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET POSITION INFORMATION
June 30, 2019 and 2018

	Wastewater Program		Drinking Water Program		Combined	
	2019	2018	2019	2018	2019	2018
ASSETS						
Current Assets:						
Cash and equivalents	\$ 430,741,102	\$ 357,059,767	\$ 96,819,571	\$ 109,277,750	\$ 527,560,673	\$ 466,337,517
Interest receivable-investments	1,109,085	1,235,549	288,207	379,095	1,397,292	1,614,644
Interest receivable-loans	24,331,365	20,770,102	4,859,991	3,247,695	29,191,356	24,017,797
Due from EPA	-	-	384,502	208,277	384,502	208,277
Accounts receivable	33,500	-	-	1,000	33,500	1,000
Loans receivable-current, net	<u>115,256,746</u>	<u>97,438,192</u>	<u>27,390,737</u>	<u>29,824,444</u>	<u>142,647,483</u>	<u>127,262,636</u>
Total Current Assets	<u>571,471,798</u>	<u>476,503,610</u>	<u>129,743,008</u>	<u>142,938,261</u>	<u>701,214,806</u>	<u>619,441,871</u>
Noncurrent Assets:						
Investments	77,895,571	179,778,934	27,597,108	46,381,812	105,492,679	226,160,746
Loans receivable, net	2,000,134,566	1,695,283,468	437,477,762	317,713,521	2,437,612,328	2,012,996,989
Equipment, net	<u>106,714</u>	<u>107,175</u>	<u>-</u>	<u>-</u>	<u>106,714</u>	<u>107,175</u>
Total Noncurrent Assets	<u>2,078,136,851</u>	<u>1,875,169,577</u>	<u>465,074,870</u>	<u>364,095,333</u>	<u>2,543,211,721</u>	<u>2,239,264,910</u>
Total Assets	<u>2,649,608,649</u>	<u>2,351,673,187</u>	<u>594,817,878</u>	<u>507,033,594</u>	<u>3,244,426,527</u>	<u>2,858,706,781</u>
DEFERRED OUTFLOWS OF RESOURCES						
Loss on debt refunding	<u>12,759,124</u>	<u>18,063,624</u>	<u>2,379,097</u>	<u>3,208,988</u>	<u>15,138,221</u>	<u>21,272,612</u>
Total Deferred Outflows of Resources	<u>12,759,124</u>	<u>18,063,624</u>	<u>2,379,097</u>	<u>3,208,988</u>	<u>15,138,221</u>	<u>21,272,612</u>
LIABILITIES						
Current Liabilities:						
Interest payable	26,738,734	23,170,580	4,008,109	3,707,231	30,746,843	26,877,811
Accounts payable	499,383	284,965	566,905	394,050	1,066,288	679,015
Amount due to federal government	-	537,354	-	78,696	-	616,050
Bonds payable-current, net	<u>97,699,774</u>	<u>101,203,377</u>	<u>22,510,226</u>	<u>19,781,623</u>	<u>120,210,000</u>	<u>120,985,000</u>
Total Current Liabilities	<u>124,937,891</u>	<u>125,196,276</u>	<u>27,085,240</u>	<u>23,961,600</u>	<u>152,023,131</u>	<u>149,157,876</u>
Long-term Liabilities:						
Bonds payable, net	<u>1,432,866,948</u>	<u>1,186,053,969</u>	<u>250,864,594</u>	<u>187,334,256</u>	<u>1,683,731,542</u>	<u>1,373,388,225</u>
Total Long-term Liabilities	<u>1,432,866,948</u>	<u>1,186,053,969</u>	<u>250,864,594</u>	<u>187,334,256</u>	<u>1,683,731,542</u>	<u>1,373,388,225</u>
Total Liabilities	<u>1,557,804,839</u>	<u>1,311,250,245</u>	<u>277,949,834</u>	<u>211,295,856</u>	<u>1,835,754,673</u>	<u>1,522,546,101</u>
NET POSITION						
Restricted for water pollution and drinking water projects and other related program purposes	<u>\$ 1,104,562,934</u>	<u>\$ 1,058,486,566</u>	<u>\$ 319,247,141</u>	<u>\$ 298,946,726</u>	<u>\$ 1,423,810,075</u>	<u>\$ 1,357,433,292</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION
Years Ended June 30, 2019 and 2018

	Wastewater Program		Drinking Water Program		Combined	
	2019	2018	2019	2018	2019	2018
OPERATING REVENUES						
Interest income-investments	\$ 14,928,427	\$ 5,322,878	\$ 3,978,037	\$ 1,879,028	\$ 18,906,464	\$ 7,201,906
Interest income-loan participants	50,422,467	47,514,900	10,038,365	8,588,969	60,460,832	56,103,869
Administration and premium fees	44,134	33,155	16,001	10,003	60,135	43,158
Other	-	-	743,170	1,546,634	743,170	1,546,634
Total Operating Revenues	<u>65,395,028</u>	<u>52,870,933</u>	<u>14,775,573</u>	<u>12,024,634</u>	<u>80,170,601</u>	<u>64,895,567</u>
OPERATING EXPENSES						
Interest	39,324,122	40,607,100	5,938,376	6,913,730	45,262,498	47,520,830
Bond issuance costs	2,807,955	844,291	696,672	410,680	3,504,627	1,254,971
Trustee fees	73,850	83,530	-	-	73,850	83,530
Other program and administrative	2,374,456	2,016,375	2,115,805	3,084,932	4,490,261	5,101,307
Total Operating Expenses	<u>44,580,383</u>	<u>43,551,296</u>	<u>8,750,853</u>	<u>10,409,342</u>	<u>53,331,236</u>	<u>53,960,638</u>
OPERATING INCOME	20,814,645	9,319,637	6,024,720	1,615,292	26,839,365	10,934,929
NONOPERATING REVENUES AND (EXPENSES)						
Capital contributions	38,681,000	31,952,000	15,937,855	11,633,280	54,618,855	43,585,280
Loan forgiveness	(13,419,277)	(4,068,885)	(1,662,160)	(2,203,396)	(15,081,437)	(6,272,281)
Total Nonoperating Revenues and (Expenses)	<u>25,261,723</u>	<u>27,883,115</u>	<u>14,275,695</u>	<u>9,429,884</u>	<u>39,537,418</u>	<u>37,312,999</u>
INCREASE IN NET POSITION	46,076,368	37,202,752	20,300,415	11,045,176	66,376,783	48,247,928
NET POSITION						
Beginning of Year	<u>1,058,486,566</u>	<u>1,021,283,814</u>	<u>298,946,726</u>	<u>287,901,550</u>	<u>1,357,433,292</u>	<u>1,309,185,364</u>
End of Year	<u>\$ 1,104,562,934</u>	<u>\$ 1,058,486,566</u>	<u>\$ 319,247,141</u>	<u>\$ 298,946,726</u>	<u>\$ 1,423,810,075</u>	<u>\$ 1,357,433,292</u>

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2019 and 2018

	Wastewater Program		Drinking Water Program		Combined	
	2019	2018	2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other expenses	\$ (2,804,281)	\$ (2,361,466)	\$ (1,277,476)	\$ (1,558,609)	\$ (4,081,757)	\$ (3,920,075)
Administration fee	44,134	33,155	16,001	10,003	60,135	43,158
Net Cash Used by Operating Activities	<u>(2,760,147)</u>	<u>(2,328,311)</u>	<u>(1,261,475)</u>	<u>(1,548,606)</u>	<u>(4,021,622)</u>	<u>(3,876,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to participants	99,855,212	126,297,581	31,707,114	30,496,421	131,562,326	156,794,002
Issuance of loans to participants	(422,524,864)	(259,290,155)	(149,037,648)	(62,637,031)	(571,562,512)	(321,927,186)
Change in investments	101,883,363	109,646,152	18,784,704	26,444,296	120,668,067	136,090,448
Interest received on loans and investments	61,916,095	50,735,591	12,494,994	10,269,928	74,411,089	61,005,519
Net Cash Provided (Used) by Investing Activities	<u>(158,870,194)</u>	<u>27,389,169</u>	<u>(86,050,836)</u>	<u>4,573,614</u>	<u>(244,921,030)</u>	<u>31,962,783</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt issuance	504,678,859	122,364,134	110,982,935	56,961,888	615,661,794	179,326,022
Principal payments to reduce indebtedness	(233,303,759)	(180,583,268)	(39,829,961)	(61,635,448)	(273,133,720)	(242,218,716)
Payment of debt issuance costs	(2,807,955)	(844,291)	(696,672)	(410,680)	(3,504,627)	(1,254,971)
Interest paid on debt	(58,517,192)	(59,049,205)	(9,701,640)	(10,061,333)	(68,218,832)	(69,110,538)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>210,049,953</u>	<u>(118,112,630)</u>	<u>60,754,662</u>	<u>(15,145,573)</u>	<u>270,804,615</u>	<u>(133,258,203)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital Contributions (EPA Grants)	38,681,000	31,952,000	15,761,630	11,821,365	54,442,630	43,773,365
Issuance of forgivable loans to participants	(13,419,277)	(4,068,885)	(1,662,160)	(2,203,396)	(15,081,437)	(6,272,281)
Net Cash Provided by Capital Financing Activities	<u>25,261,723</u>	<u>27,883,115</u>	<u>14,099,470</u>	<u>9,617,969</u>	<u>39,361,193</u>	<u>37,501,084</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	73,681,335	(65,168,657)	(12,458,179)	(2,502,596)	61,223,156	(67,671,253)
CASH AND EQUIVALENTS						
Beginning of Year	<u>357,059,767</u>	<u>422,228,424</u>	<u>109,277,750</u>	<u>111,780,346</u>	<u>466,337,517</u>	<u>534,008,770</u>
End of Year	<u>\$ 430,741,102</u>	<u>\$ 357,059,767</u>	<u>\$ 96,819,571</u>	<u>\$ 109,277,750</u>	<u>\$ 527,560,673</u>	<u>\$ 466,337,517</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES						
Operating income	\$ 20,814,645	\$ 9,319,637	\$ 6,024,720	\$ 1,615,292	\$ 26,839,365	\$ 10,934,929
Adjustments to reconcile operating income to net cash used by operating activities:						
Depreciation	461	461			461	461
Interest income	(65,350,894)	(52,837,778)	(14,016,402)	(10,467,997)	(79,367,296)	(63,305,775)
Interest expense	39,324,122	40,607,100	5,938,376	6,913,730	45,262,498	47,520,830
Bond issuance costs	2,807,955	844,291	696,672	410,680	3,504,627	1,254,971
Changes in assets and liabilities:						
Accounts receivable	(33,500)	-	1,000	(1,000)	(32,500)	(1,000)
Accounts payable	214,418	(27,587)	172,855	15,022	387,273	(12,565)
Amount due to federal government	(537,354)	(234,435)	(78,696)	(34,333)	(616,050)	(268,768)
Net Cash Used by Operating Activities	<u>\$ (2,760,147)</u>	<u>\$ (2,328,311)</u>	<u>\$ (1,261,475)</u>	<u>\$ (1,548,606)</u>	<u>\$ (4,021,622)</u>	<u>\$ (3,876,917)</u>

OTHER REPORT

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

Members of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of State Revolving Fund Loan Programs (SRF Programs), an enterprise fund of the Indiana Finance Authority, which comprise the combined statement of net position as of June 30, 2019, and the related combined statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 30, 2019

INDIANA FINANCE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
INDEPENDENT AUDITORS' REPORTS

June 30, 2019

INDIANA FINANCE AUTHORITY

CONTENTS

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

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

Members of Indiana Finance Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority, a component unit of the State of Indiana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Indiana Finance Authority's basic financial statements, and have issued our report thereon dated October 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Indiana Finance Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indiana Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Indiana Finance Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
October 17, 2019

INDIANA FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

	Federal CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION:					
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	None noted	\$ 162,000,000	\$ 147,597,417	
U.S. ENVIRONMENTAL PROTECTION AGENCY:					
Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water State Revolving Funds	66.458 66.458	CS18000118 Program Income	38,681,000	38,681,000 2,000,000 <u>40,681,000</u>	\$ 38,681,000 <u>38,681,000</u>
Drinking Water State Revolving Fund Cluster: Capitalization Grants for Drinking Water State Revolving Funds	66.468 66.468 66.468 66.468 66.468 66.468	FS98548618-0 FS98548618-0 FS98548618-0 FS98548619-0 FS98548619-0 Program Income	15,798,880 679,120 500,000 672,760 1,681,900	15,798,880 340,080 244,690 297,375 2,000,000 <u>18,681,025</u>	15,798,880 <u>15,798,880</u>
Brownfields 128(a) Cooperative Agreement State and Tribal Program Response Grants	66.817 66.817	RP00E14611-0 RP00E14612-0	761,327 787,518	365,542 406,723 <u>772,265</u>	
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	BF-00E48101-B	5,659,204	59,174 <u>59,174</u>	59,174 <u>59,174</u>
				<u>\$ 207,790,881</u>	<u>\$ 54,539,054</u>

See accompanying notes to schedule of expenditures of federal awards.

INDIANA FINANCE AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2019

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Indiana Finance Authority. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR), Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for federal, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - INDIRECT COST RATE

Indiana Finance Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - LOAN PROGRAM

The accompanying schedule of expenditures of federal awards includes a federal loan disbursed under the Transportation Infrastructure Finance and Innovation Act (TIFIA). The funds were used to finance the East End Crossing, a component of the Ohio River Bridges Project. The bridge opened to the public in December 2016. There were no expenditures for the year ended June 30, 2019. The loan agreements provide for continuing compliance requirements through debt maturity, and therefore, Indiana Finance Authority reports the prior year loan balances, plus any additional draws, on the schedule of expenditures of federal awards. For the year ended June 30, 2019, the TIFIA loan balance outstanding was \$138,410,327.

*Independent Auditors' Report on Compliance For
Each Major Federal Program,
on Internal Control Over Compliance,
and on the Schedule of Expenditures of Federal Awards
as Required by Uniform Guidance*

Members of Indiana Finance Authority

Report on Compliance for Each Major Federal Program

We have audited Indiana Finance Authority's, a component unit of the State of Indiana, compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Indiana Finance Authority's major federal programs for the year ended June 30, 2019. Indiana Finance Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Indiana Finance Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Indiana Finance Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Indiana Finance Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Indiana Finance Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Indiana Finance Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Indiana Finance Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Indiana Finance Authority's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Indiana Finance Authority's basic financial statements. We issued our report thereon dated October 17, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 17, 2019

INDIANA FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes _____ no

Identification of major programs:

CFDA Number	Agency	Title
20.223	U.S Department of Transportation	Transportation Infrastructure Finance and Innovation Act (TIFIA) Program
66.458	U.S Environmental Protection Agency	Capitalization Grants for Clean Water State Revolving Funds
66.468	U.S Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds

INDIANA FINANCE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2019**

Summary of Auditors' Results (Continued)

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

\$3,000,000

Auditee qualified as low-risk auditee?

_____ yes ✓ no

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None



Exhibit O

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

Drinking Water Projects Closed State Fiscal Year 2019

- **Drinking Water
2019 Projects**
\$168.8 Million
17 Loans

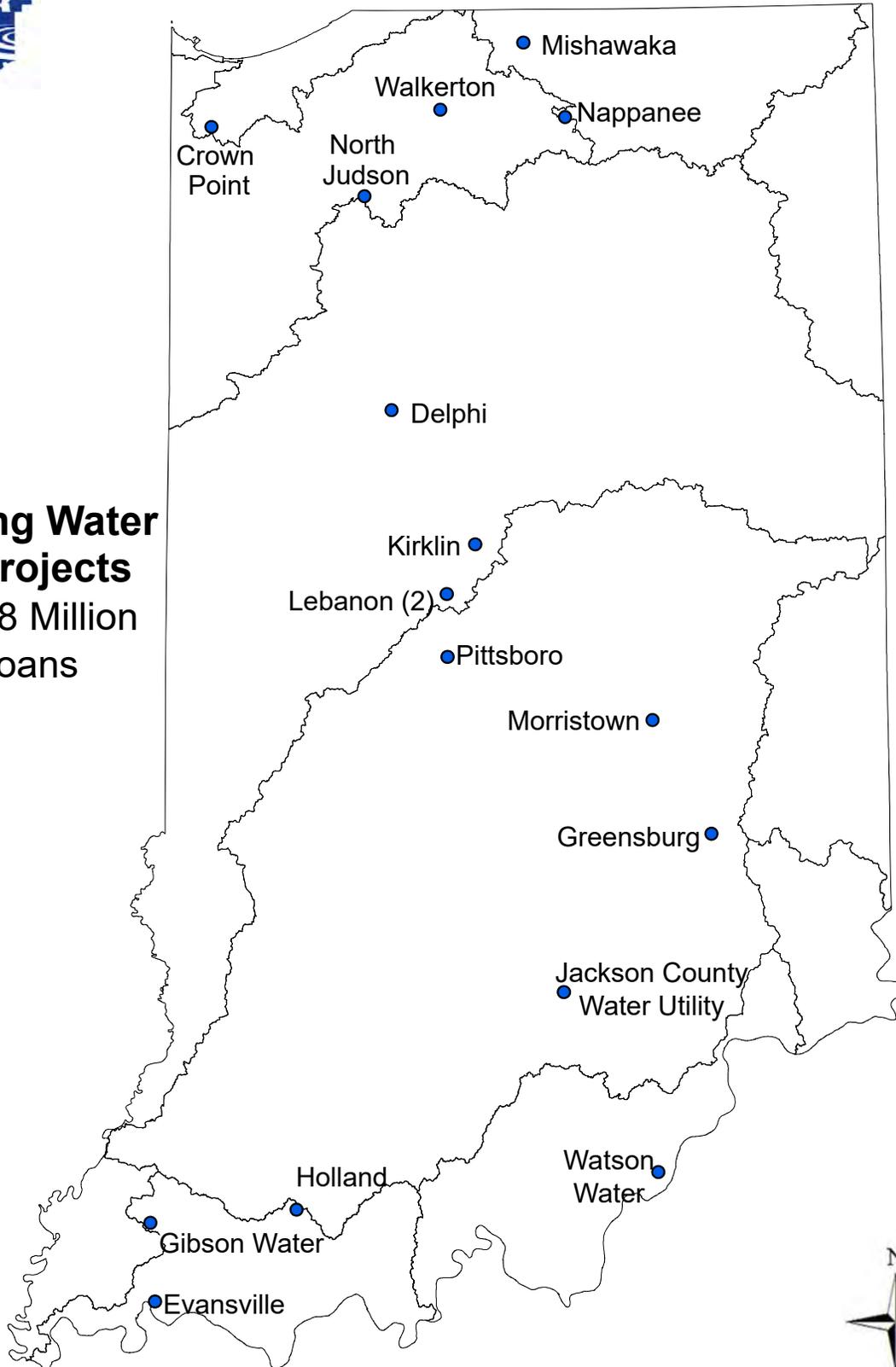


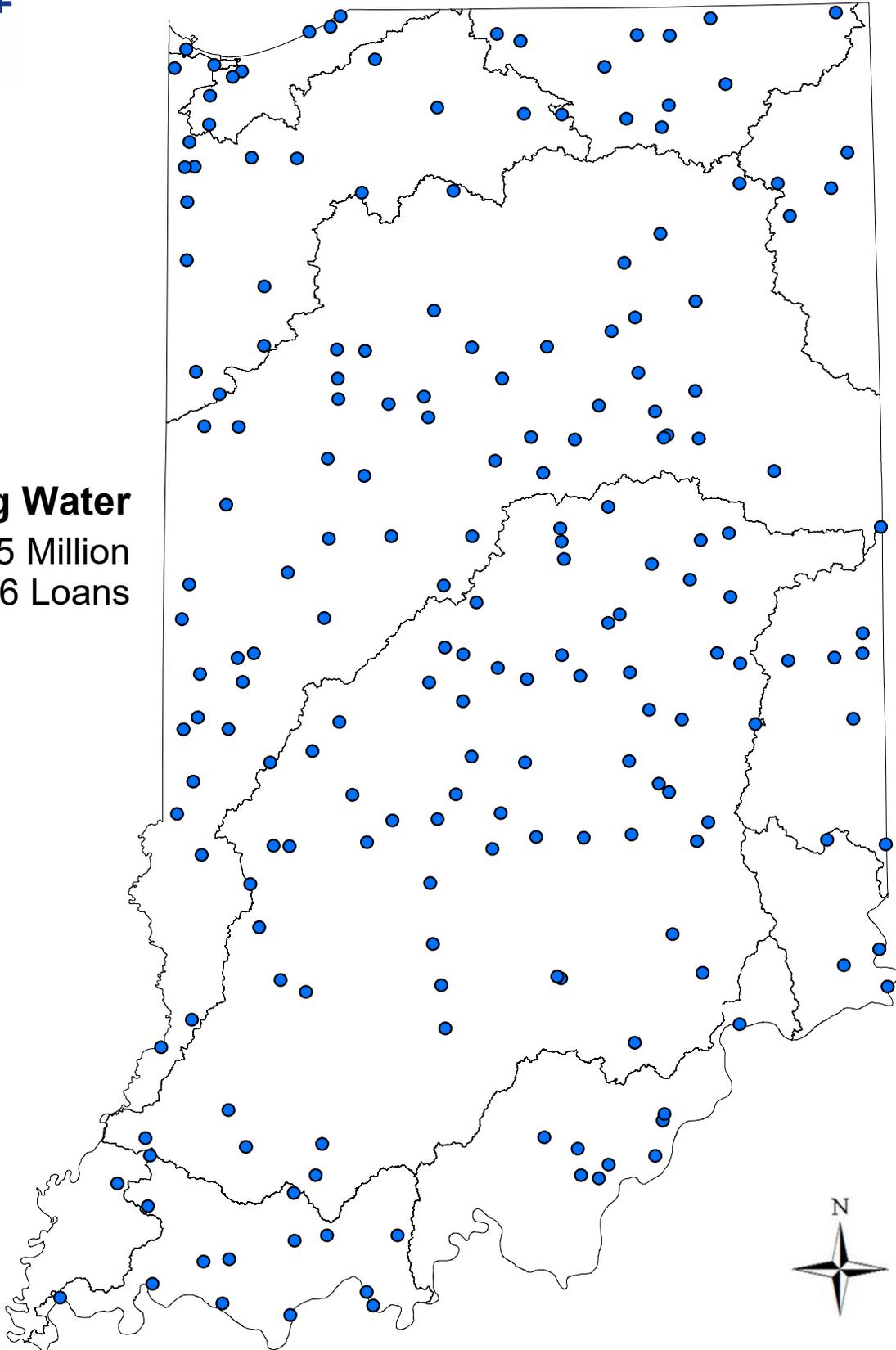


Exhibit P

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

All Drinking Water Projects Closed Since 1999

● **Drinking Water**
\$880.5 Million
266 Loans



Indiana DWSRF Loan Program
Exhibit Q - Summary of Set-Aside Funds in SFY 2019

Capitalization Grant Year	Set-Aside	Award Amount	Balance on 7/1/2018	ASAP Activity Date	Activity Amount	Description	Balance 7/1/2019
2018	Administrative	679,120.00	679,120.00	09/28/18	(291,405.32)	Administrative	387,714.68
				12/28/18	(61,688.49)	Administrative	326,026.19
				03/29/19	(87,266.73)	Administrative	238,759.46
				06/28/19	(94,686.58)	Administrative	144,072.88
				<hr/>			
State Program Management ²		500,000.00	500,000.00	12/28/18	(138,975.32)	SE Water Supply Study	361,024.68
				06/28/19	(31,937.50)	Central Water Supply Study	329,087.18
<hr/>							
2019	Administrative	672,760.00	-				-
	State Program Management ³	1,681,900.00	-				-
<hr/>							
2020	Administrative	672,760.00	-				-
	State Program Management ⁴	1,681,900.00	-				-
<hr/>							
Total Set-Aside Balance 7/1/2019:							473,160.06

1 - Public School Lead Sampling Program

2 - Southwest and Central Indiana Water Supply Studies

3 - Public School Lead Sampling Program, Central Water Supply Study, Water Loss, & Daycare Lead Testing.

4 - Central Indiana Water Supply Study

Summary of Activities Completed Under the State Program Management Set-Aside

1. **Name of program:** 2017-2018 Lead Sampling Program for Public Schools
 - a. **Capitalization Grant Year:** 2017 and 2019
 - b. **Purpose:** to help Indiana public school districts assess if there is a presence of lead in drinking water within their facilities
 - c. **Agency Responsibilities:** the Authority has engaged third party contractors to will engage a third party contractor to continuing managing a lead sampling data platform.
 - d. **Achievements:** The IFA with assistance from IDEM, developed the Lead Sampling Program for Public Schools to help schools assess if there is a presence of Lead in drinking water within their facilities. A final report for the program was issued January 2019 and can be accessed at: <https://www.in.gov/ifa/2958.htm>. To enable the state and school district personnel to continue to manage lead sampling results data, funding was utilized to support the data platform in FY 2019. The platform houses lead data, demographics, such as grades served, and fixture level data, such as pipe material serving the water fixtures. Schools may collect new samples on their own, enter results, and create and track remediation efforts. For more information see: <https://www.in.gov/ifa/2958.htm>

2. **Name of program:** 2019-2020 Lead Sampling Program for Child Care Facilities
 - a. **Capitalization Grant Year:** 2019
 - b. **Purpose:** to help Indiana child care facilities assess if there is a presence of lead in drinking water within their facilities
 - c. **Agency Responsibilities:** per the eligibility requirements of the WIIN Act Section 2107, *Lead Testing in School and Child Care Program Drinking Water Grant*, the Authority will develop and initiate a lead sampling program for child care facilities, including developing an application, an application ranking matrix, and marketing materials. The Authority will work with IDEM to develop a sampling protocol and will engage a third party contractor to help manage laboratory coordination and data management. The Authority has been allocated \$753,000 from the WIIN Act Section 2107 for FY 2018 and FY 2019.
 - d. **Achievements:** Third party contracts are in preliminary stages and contractors will be engaged August 2019, with a goal of sampling facilities starting in January 2020. The Authority estimates taking 20,000 samples at 2,000 child care facilities. More information can be found at: <https://www.in.gov/ifa/2998.htm>

3. **Name of program:** Indiana Validated Water Loss Audit Program
 - a. **Capitalization Grant Year:** 2019
 - b. **Purpose:** to help water utilities better understand the amount of non-revenue water in their systems and help address potential issues
 - c. **Agency Responsibilities:** the Authority will engage a third party contractor to conduct trainings and aid utilities in completing a water audit. In addition, the Authority will also engage the same third party contractor to conduct trainings to train validators, who will aid utilities in completing a validated water audit. For more information see: <https://www.in.gov/ifa/3013.htm>

- d. **Achievements:** Third party contracts are in preliminary stages and contractor will be engaged August 2019, with a goal of starting training sessions in the fall of 2019.

4. **Name of program:** Regional Water Planning Meetings

- a. **Capitalization Grant Year:** 2019
- b. **Purpose:** the goal of the program is to increase communication and improve collaboration among utilities and other water users in local regions across the State
- c. **Agency Responsibilities:** the Authority will organize and conduct regional meetings, including setting the agendas and recruiting speakers, drafting region boundaries and invitation lists, and finding suitable regional locations for meetings. The Authority may engage a third party contractor to assist with the implementation of this program.
- d. **Achievements:** Meetings are expected to begin in CY 2020.

5. **Name of program:** Central Indiana Water Study

- a. **Capitalization Grant Year:** 2018 and 2019
- b. **Purpose:** goal of the study is to assess the current water supply in Central Indiana, as well as the future demand and the cost of infrastructure needed to meet the demand for these regions.
- c. **Agency Responsibilities:** the Authority will lead the planning effort, including drafting study scopes, engaging third party contractors, and conducting public meetings.
- d. **Achievements:** the Central Indiana Water Study will consist of five phases that will each produce a final report. The phases will study the following topics:
 - i. Regional Demand
 - ii. Regional Supply
 - iii. Water Availability Modeling and Optimization
 - iv. Infrastructure and Cost Analysis
 - v. Public Education and Outreach

The IFA hosted a public meeting on April 29, 2019 to discuss the study with elected officials, utility personnel, and other interested parties.

Contracts have been secured with third party contractors to assess regional demand, regional supply, build the water availability model, and create public outreach materials. .

For more information see: <https://www.in.gov/ifa/3006.htm>

Indiana DW SRF Loan Program
Exhibit R - Summary of All Associated Funds in SFY 2019

Applicant Name	Closing Date	SRF Funding*	Office of Community and Rural Affairs Grant	U.S. Economic Development Administration Grant	Supplemental Funds (State)	Local Funds
Jackson County Water Utility	8/16/2018	\$ 6,680,000	\$ -	\$ -	\$ -	\$ -
Mishawaka	10/29/2018	\$ 13,000,000	\$ -	\$ -	\$ -	\$ -
Morristown	12/10/2018	\$ 3,910,000	\$ -	\$ -	\$ 25,000	\$ -
North Judson	12/11/2018	\$ 1,584,000	\$ 550,000	\$ -	\$ 25,000	\$ 1,000
Watson Water	12/12/2018	\$ 1,640,000	\$ -	\$ -	\$ -	\$ -
Delphi	12/12/2018	\$ 7,420,000	\$ -	\$ -	\$ 25,000	\$ 1,000
Nappanee	12/13/2018	\$ 2,538,000	\$ -	\$ -	\$ 25,000	\$ 1,000
Kirklin	12/14/2018	\$ 3,718,000	\$ 600,000	\$ -	\$ 25,000	\$ -
Crown Point A&B	12/14/2018	\$ 9,181,383	\$ -	\$ -	\$ -	\$ -
Walkerton	12/20/2018	\$ 7,184,000	\$ -	\$ -	\$ 25,000	\$ 1,000
Evansville	12/21/2018	\$ 77,220,000	\$ -	\$ -	\$ -	\$ -
Gibson Water	12/29/2019	\$ 994,000	\$ -	\$ -	\$ 25,000	\$ 1,000
Lebanon	2/15/2019	\$ 3,360,000	\$ -	\$ -	\$ -	\$ 1,000
Lebanon	2/15/2019	\$ 521,395	\$ -	\$ -	\$ -	\$ -
Holland	3/29/2019	\$ 617,000	\$ 600,000	\$ -	\$ 25,000	\$ -
Greensburg	6/11/2019	\$ 22,715,000	\$ -	\$ -	\$ -	\$ 2,102,625
Pittsboro	6/12/2019	\$ 6,517,000	\$ -	\$ -	\$ -	\$ -

Non-Federal Total: \$ 2,308,625

*Includes Traditional, Additional Subsidy, Pooled and Fee Account

Indiana DW SRF Loan Program
Exhibit S - Summary of Drinking Water Projects with a Regional Solution SFY 2016-2019

<u>Closing Date</u>	<u>Community</u>	<u>Loan Amount</u>	<u>Project</u>
8/16/2018	Jackson County	\$ 6,680,000	The Water Main extension project will extend drinking water service from the existing Jackson County Water utility to approximate 573 households and businesses
3/30/2017	LaGrange Regional Utility District	\$4,195,000	The State of Indiana constructed a non-transient/ noncommunity water system at the Howe/Lagrange Travel Plaza in the 1950s. The water system has a capacity of 150 gpm and consists of two wells, a three-cell pressure filtration system and two hydropneumatic tanks with a combined capacity of 12,000 gallons. The system is currently operated and maintained by the Indiana Toll Road Concession Company, who desires to retire the plant. The existing facility is at the end of useful life and would require expensive upgrades to continue to meet the needs of the system. The proposed project will install water main and associated hydrants and valves to the existing Fawn River Crossing water system, a pressure booster station with chlorine injection system, hydropneumatic tank with telemetry interconnections and a standby power generator. The project will connect Travel Plaza #7 to the existing Fawn River Crossing water treatment plant, within the LaGrange County Regional Utility District. The Fawn River Crossing plant is in good condition and has sufficient capacity to meet the needs of the Travel Plaza and existing customers.
2/15/2017	Cayuga	\$ 777,000	North Vermillion Community School Corporation is not currently connected to Cayuga's water system and had been operating an underground drinking water well system, located on school property. The school ceased utilizing the wells for drinking water, when the wells started having water quality issues with increasing levels of nitrate. To protect the health of the students, the North Vermillion School Corporation began using bottled water. In April 2016, the North Vermillion Community School Corporation and the Indiana Department of Environmental Management (IDEM) entered into an Agreed Order to bring the nitrate levels down to below the maximum contaminant level (MCL). The project connected the School Corp to the existing Cayuga system
12/3/2015	Switz City	\$ 846,000	The purpose for the project is to address an Agreed Order from the Indiana Department of Environmental Management regarding the illegal discharge of the town's water treatment plant's (WTP) backwash water into a field. In addition, the town's WTP has exceeded its useful service life and would have to be replaced in the near future. The town evaluated their options and decided that it was more cost effective to abandon their WTP and supply wells and connect to Linton.