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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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December 29, 2009

Mr. Dan Huge, Executive Director
Indiana Bond Bank
10 West Market Street, Suite 2980
Indianapolis, IN 46204

Dear Mr. Huge:

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

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

STATE BOARD OF ACCOUNTS

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Financial Statements with
Supplementary Information

June 30, 2009 and 2008

KATZ, SAPPER & MILLER
Certified Public Accountants

INDIANA BOND BANK

(A COMPONENT UNIT OF THE STATE OF INDIANA)

Table of Contents

KATZ, SAPPER & MILLER

Katz, Sapper & Miller, LLP
Certified Public Accountants

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
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Independent Auditors' Report

Board of Directors
of the Indiana Bond Bank

We have audited the accompanying statements of net assets of the Indiana Bond Bank (Bond Bank) as of June 30, 2009 and 2008, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Bond Bank at June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis on pages 2 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 28, 2009

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Management's Discussion and Analysis

June 30, 2009

This section of the Indiana Bond Bank's (the "Bond Bank") annual financial report presents our discussion and analysis of the Bond Bank's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Proceeds from bonds and notes payable issued during the year totaled $1,860,848,771, including $1,640,854,897 of advance funding notes.
- Repayments of bonds and notes payable totaled $2,028,572,858 including $1,911,059,897 of advance funding notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements and notes, as well as, other supplementary information. The Bond Bank follows enterprise fund reporting; accordingly, the financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the activities and operations of the Bond Bank. These statements are presented in a manner similar to a private business.

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets provide information about the Bond Bank's financial status and the changes in financial status. The Statement of Net Assets includes all of the Bond Bank's assets, liabilities, and net assets. Assets and liabilities are classified as either current or noncurrent. The Statement of Revenues, Expenses and Changes in Net Assets report all of the revenues and expenses during the time period. The Statement of Cash Flows reports the cash provided and used by operating activities as well as other cash sources and uses. The financial statements also include notes that explain and support the information in the statements and are followed by a section of supplementary information that further details the Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets by program type.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)

Management's Discussion and Analysis

June 30, 2009

FINANCIAL ANALYSIS OF THE BOND BANK

The following table is a condensed summary of financial information as of and for the years ended June 30, 2009, 2008 and 2007:

	2009	2008	2007
Net assets			
Current assets	$ 919,929,864	$ 1,157,994,933	$ 884,489,348
Noncurrent assets	1,872,422,874	1,801,367,284	1,581,486,955
Total assets	2,792,352,738	2,959,362,217	2,465,976,303
Current liabilities	911,832,235	1,158,567,372	872,708,561
Noncurrent liabilities	1,862,932,473	1,785,609,503	1,578,967,957
Total liabilities	2,774,764,708	2,944,176,875	2,451,676,518
Restricted for debt service	2,263,727	1,997,062	2,666,831
Unrestricted	15,324,303	13,188,280	11,632,954
Total net assets	$ 17,588,030	$ 15,185,342	$ 14,299,785
Revenues, expenses and changes in net assets			
Operating revenues:			
Interest income	$ 124,929,460	$ 128,731,206	$ 103,682,391
Acceptance and administration fees	1,033,491	260,687	360,576
Total operating revenues	125,962,951	128,991,893	104,042,967
Operating expenses:			
Interest	116,846,324	123,000,126	98,461,206
Amortization of debt issuance costs	5,604,566	4,870,504	3,927,428
General and administrative	1,580,755	851,455	1,581,747
Total operating expenses	124,031,645	128,722,085	103,970,381
Operating income	1,931,306	269,808	72,586
Nonoperating revenue	471,382	615,749	546,982
Change in net assets	2,402,688	885,557	619,568
Net assets - beginning of year	15,185,342	14,299,785	13,680,217
Net assets - end of year	$ 17,588,030	$ 15,185,342	$ 14,299,785

Statement of Net Assets

Total assets and total liabilities and net assets decreased by approximately $167.0 million in 2009 from 2008. The decrease in the current qualified obligations receivable resulted primarily from a lower balance outstanding on the Advanced Funding Note Program. Similarly, there was a corresponding decrease in the current bonds and notes payable due to lower outstanding balance on the Advanced Funding Note Program. The increase in the noncurrent qualified obligations receivable was due to the issuance of three new Special Program bond issues and the new Common School Fund Program bond issue. There is a corresponding increase in outstanding noncurrent bonds and notes payable. Included in the current assets are cash and cash equivalents, and accrued interest receivable. Accrued interest payable and accounts payable are included in current liabilities as well.

Statement of Net Assets Reconciliation - 2009

Total Assets as of June 30, 2008		$ 2,959,362,217
Decrease in current qualified obligations receivable	$ (253,010,586)	
Increase in other current assets	14,945,517	
Increase in noncurrent qualified obligations receivable	76,956,082	
Decrease in other noncurrent assets	(5,900,492)	
Total decrease in assets		(167,009,479)
Total Assets as of June 30, 2009		$ 2,792,352,738
Total Liabilities and Net Assets as of June 30, 2008		$ 2,959,362,217
Increase in net assets	$ 2,402,688	
Decrease in current bonds and notes payable	(244,955,000)	
Decrease in other current liabilities	(1,780,137)	
Increase in noncurrent bonds and notes payable	77,324,298	
Decrease in other noncurrent liabilities	(1,328)	
Total decrease in liabilities and net assets		(167,009,479)
Total Liabilities and Net Assets as of June 30, 2009		$ 2,792,352,738

The assets and liabilities and net assets increased by approximately $493.4 million in 2008 from 2007. The increase in the current qualified obligations receivable resulted from a higher balance outstanding on the Advanced Funding Note Program. Similarly, the increase in the current bonds and notes payable was due to a higher note payable on the Advanced Funding Note Program. The increase in the noncurrent qualified obligations receivable resulted from a increase of obligations receivable from the Prepaid Gas Program. Similarly, the increase in noncurrent bonds and notes payable was due to the new bonds payable on the Prepaid Gas Program. Included in the current assets are cash and cash equivalents and accrued interest receivable. Accrued interest payable and accounts payable are included in current liabilities as well.

Statement of Net Assets Reconciliation - 2008

Total Assets as of June 30, 2007			$	2,465,976,303
Increase in current qualified obligations receivable	$	281,156,680		
Decrease in other current assets		(7,651,095)		
Increase in noncurrent qualified obligations receivable		198,416,968		
Increase in other noncurrent assets		21,463,361		
Total increase in assets				493,385,914
Total Assets as of June 30, 2008			$	2,959,362,217
Total Liabilities and Net Assets as of June 30, 2007			$	2,465,976,303
Increase in net assets	$	885,557		
Increase in current bonds and notes payable		260,135,431		
Increase in other current liabilities		25,723,380		
Increase in noncurrent bonds and notes payable		206,640,819		
Increase in other noncurrent liabilities		727		
Total increase in liabilities and net assets				493,385,914
Total Liabilities and Net Assets as of June 30, 2008			$	2,959,362,217

Operating revenues consist of interest income earned on qualified obligations receivable and the related long-term investments in guaranteed investment contracts. The operating interest income for the year was 4.8% for 2009, 4.6% for 2008 and 4.4% for 2007 of the related investments. Also included in operating revenues are acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. These fees increased approximately $773,000 from 2008 to 2009, decreased $100,000 from 2007 to 2008 and decreased $33,000 from 2006 to 2007.

Operating expenses include interest expense on bonds and notes payable, as well as arbitrage expense. Interest expense for the year represented 4.3% for 2009, 4.2% for 2008 and 4.0% for 2007 of the related bonds and notes payable balance. Also included in operating expenses is the amortization of debt issuance costs and general and administrative expenses such as management fees, as well as, expenses for the operating program such as professional fees, payroll and payroll related expenses.

Net assets in 2009 increased in total approximately $2,403,000 from 2008. Net assets restricted for debt service increased approximately $267,000 and unrestricted net assets increased approximately $2,136,000. In comparison, net assets for 2008 increased approximately $886,000 over 2007. Net assets restricted for debt service decreased approximately $670,000 and unrestricted net assets increased approximately $1,555,000.

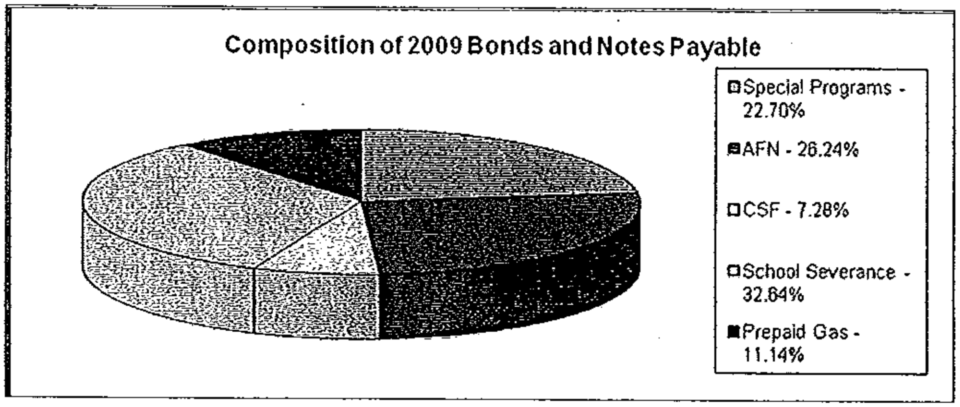
DEBT ADMINISTRATION

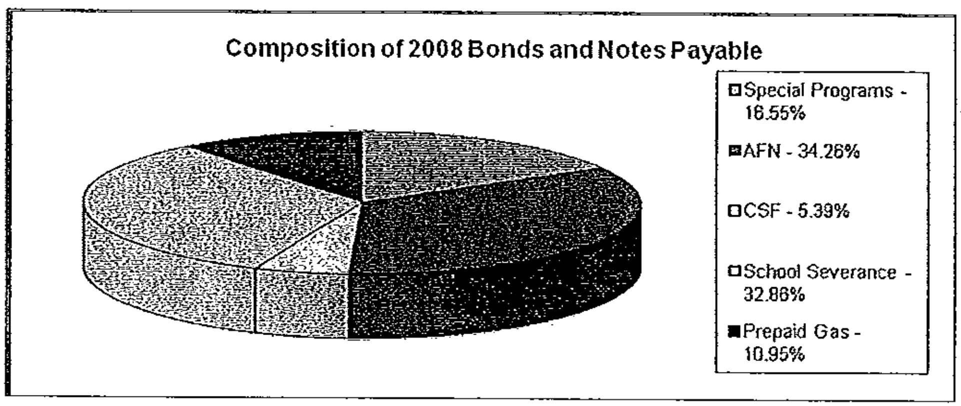
Below is a listing of the amount of debt issued by program for the fiscal years ended June 30, 2009, 2008 and 2007:

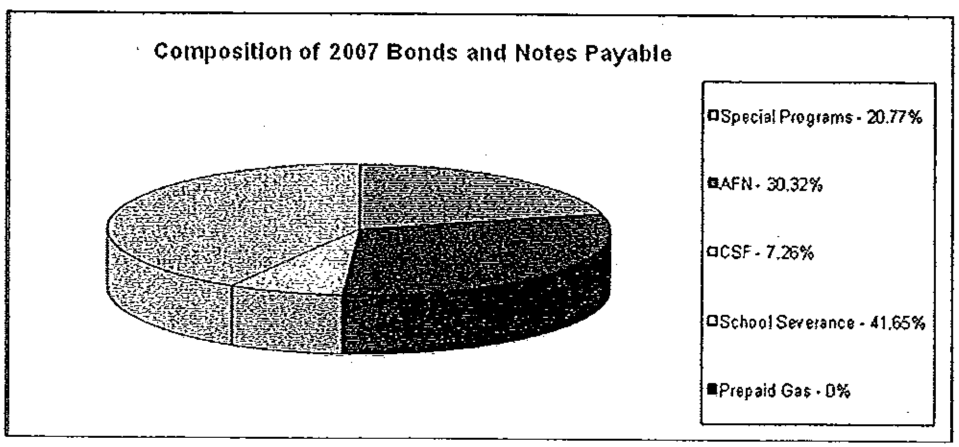
Programs	2009	2008	2007
Special Program	$ 165,378,000	$ 10,500,000	$ 58,900,000
Advance Funding Program	1,640,855,000	1,810,429,000	970,740,000
Prepaid Gas Program	-	308,570,000	-
Common School Fund Program	61,145,000	-	-

On the following page three are three graphs depicting the composition of bonds and notes payable. The graph on the top details the composition of bonds and notes payable by program for 2009, the graph in the middle depicts 2008 and the graph on the bottom shows 2007. The composition by program has changed due to the new bonds issued during each of the years.

(Continued)







The Bond Bank's bond and note issues are rated A+ to AAA by the national rating agencies. The ratings are based on the financing program structure.

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Statements of Net Assets

June 30, 2009 and 2008

Assets		**2009**		**2008**
Current assets:				
Cash and cash equivalents	$	77,132,622	$	59,756,437
Qualified obligations receivable		815,678,615		1,068,689,201
Accrued interest receivable		27,118,627		29,549,295
Total current assets		919,929,864		1,157,994,933
Noncurrent assets:				
Investments, at fair value		36,255,716		42,331,324
Qualified obligations receivable, net of current portion		1,813,270,852		1,736,314,770
Deferred debt issuance costs, net of accumulated amortization of $18,362,496 in 2009 and $17,428,875 in 2008		22,896,306		22,721,190
Total noncurrent assets		1,872,422,874		1,801,367,284
Total assets		2,792,352,738		2,959,362,217
Liabilities				
Current liabilities:				
Bonds and notes payable		844,535,000		1,089,490,000
Accrued interest payable		41,202,179		44,170,255
Funds held for qualified entities		25,551,166		24,159,925
Accounts payable		543,890		747,192
Total current liabilities		911,832,235		1,158,567,372
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		1,862,439,458		1,785,115,160
Deferred revenues		493,015		494,343
Total noncurrent liabilities		1,862,932,473		1,785,609,503
Total liabilities		2,774,764,708		2,944,176,875
Net Assets				
Restricted for debt service		2,263,727		1,997,062
Unrestricted		15,324,303		13,188,280
Total net assets	$	17,588,030	$	15,185,342

See accompanying notes to financial statements.

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2009 and 2008

	2009	2008
Operating revenues:		
Interest income	$ 124,929,460	$ 128,731,206
Acceptance and administration fees	1,033,491	260,687
Total operating revenues	125,962,951	128,991,893
Operating expenses:		
Interest	116,846,324	123,000,126
Amortization of debt issuance costs	5,604,566	4,870,504
General and administrative	1,580,755	851,455
Total operating expenses	124,031,645	128,722,085
Operating income	1,931,306	269,808
Nonoperating revenues:		
Interest income on investments	471,382	615,749
Change in net assets	2,402,688	885,557
Net assets, beginning of year	15,185,342	14,299,785
Net assets, end of year	$ 17,588,030	$ 15,185,342

See accompanying notes to financial statements.

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Cash received from interest, service fees and principal on program loans	$ 128,392,291	$ 130,344,123
Cash payments for loaned amounts	(120,331,242)	(121,580,634)
Cash payments to suppliers and employees	(1,267,215)	(707,492)
Net cash provided by operating activities	6,793,834	8,055,997
Cash flows from non-capital financing activities:		
Proceeds from debt issuances	1,860,848,771	2,137,145,270
Debt issuance costs paid	(5,779,680)	(5,942,817)
Repayment of bonds and notes payable	(2,028,572,858)	(1,670,369,017)
Net cash provided (used) by non-capital financing activities	(173,503,767)	460,833,436
Cash flows from investing activities:		
Purchases of investments	(1,573,557,513)	(894,087,429)
Purchases of qualified obligations receivable	(1,587,145,736)	(2,014,918,536)
Interest received on investments	471,382	615,749
Maturities of investments	1,579,726,504	873,696,388
Maturities of qualified obligations receivable	1,764,591,481	1,559,504,813
Net cash provided (used) by investing activities	184,086,118	(475,189,015)
Net increase (decrease) in cash and cash equivalents	17,376,185	(6,299,582)
Cash and cash equivalents, beginning of year	59,756,437	66,056,019
Cash and cash equivalents, end of year	$ 77,132,622	$ 59,756,437
Supplemental disclosure of cash flow information:		
Interest received during the year	$ 127,360,128	$ 130,082,709
Interest paid during the year	117,642,900	120,367,018
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,931,306	$ 269,808
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of debt issuance costs	5,604,566	4,870,504
Changes in certain assets and liabilities:		
Accrued interest receivable	2,430,668	1,351,503
Accrued interest payable	(2,968,076)	1,285,330
Accounts payable	(203,302)	278,125
Deferred revenues	(1,328)	727
Net cash provided by operating activities	$ 6,793,834	$ 8,055,997

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Organization

The Indiana Bond Bank (the Bond Bank), a component unit of the State of Indiana, was created by Senate Enrolled Act No. 97 (as amended) (the Bond Bank Act) of the Indiana General Assembly on July 1, 1984. The Bond Bank is an instrumentality of the State of Indiana but is not a State agency and has no taxing power. It has separate corporate and sovereign capacity and its Board of Directors is composed of the Treasurer of the State (who serves as Chairman of the Board, ex officio), the Director of Public Finance (who serves as director, ex officio) and five directors appointed by the Governor. Effective May 1, 2005, Senate Enrolled Act 578 changed the Board of Directors membership to include the Director of Public Finance and to remove from the Board of Directors, the Director of the Department of Financial Institutions. The Bond Bank has no oversight authority over any other entity.

The Bond Bank is authorized to buy and sell securities (see Note 4 for statutory limitations) for the purpose of providing funds to Indiana qualified entities, as defined under the Bond Bank Act. Accordingly, the Bond Bank enables qualified entities to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. Certain financing agreements specify that any residual cash remaining at maturity or refinancing of a series is the property of the Bond Bank.

To achieve its purpose, the Bond Bank operates the following programs:

Special Program—Bonds issued to assist qualified entities with various long-term financing needs, primarily expansion of water and sewer systems.

Advance Funding Program—Notes issued to provide qualified entities with short-term cash flow financing during the periods of time prior to the semi-annual receipt of property taxes.

Common School Fund Program—Bonds issued to purchase outstanding advancements made from the State's constitutionally established Common School Fund to finance technology or construction costs. The proceeds replenish the Fund's balance, allowing the Indiana Department of Education to provide further financial assistance for Indiana school corporations.

School Building Program—Bonds issued to assist qualified entities with financing for school building construction, renovation and improvement projects.

School Severance Program—Bonds issued to assist qualified entities with financing for contractual retirement or severance liabilities.

Year End Warrant Assistance Program—Notes issued to assist Indiana political subdivisions with financing for continued cash flow deficits at year end. These bonds were issued to fund outstanding amounts from the Advance Funding and Midyear Programs.

(1) Summary of Significant Accounting Policies (Cont.)

Hoosier Equipment Lease Purchase Program—Bonds issued to assist qualified entities in obtaining low cost lease financing for certain vehicle and equipment purchases. The leases and related obligations are not reflected on the Bond Bank's financial statements as these are assigned to a bank.

Prepaid Gas Funding Program—Bonds issued to allow qualified entities a mechanism for financing the prepayment of supplies of natural gas to be delivered over time.

Basis of Presentation

The financial statements of the Bond Bank have been prepared on the accrual basis of accounting and using the economic resources measurement focus. Accordingly, the Bond Bank recognizes revenue in the period earned and expenses in the period incurred. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

In accordance with Governmental Accounting Standards Board Statement (GASB) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Bond Bank has applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued subsequent to November 30, 1989.

Federal Income Taxes

The Bond Bank is exempt from federal income taxes under Internal Revenue Code Section 115.

Investments

Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2009 and 2008, fair value approximates cost. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net assets. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior year(s) and the current year.

(1) Summary of Significant Accounting Policies (Cont.)

Cash Equivalents

The Bond Bank considers all investments in commercial paper, certificates of deposit, repurchase agreements, passbook savings and money market deposits with original maturities of three months or less to be cash equivalents.

Debt Issuance Costs

Costs associated with issuing debt, including original issue discounts and premiums, are deferred and amortized over the life of the respective debt issue on a basis that approximates a constant effective interest rate.

Deferred Revenues

Cash flows for certain issues are not spread evenly over the respective lives of the issues. To recognize the economic structure of these issues, certain revenues estimated to be earned through maturity of the related issue is recognized ratably from period to period. The Bond Bank receives acceptance and administration fees from qualified entities in connection with their various programs.

Defeasance of Debt

The Bond Bank considers debt to be defeased when cash or other assets are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on a specific obligation. The related liability and assets held in trust for the related bonds are removed from the financial statements. See Note 4 for outstanding principal balances on defeased debt outstanding.

Net Assets

The Bond Bank's resources are classified for accounting and financial reporting purposes into the following net asset categories:

- *Invested in Capital Assets*—resources resulting from capital acquisition, net of accumulated depreciation. At June 30, 2009 and 2008 there were no net assets invested in capital assets.
- *Restricted*—net assets subject to externally imposed stipulations as to use. These net assets are restricted under the related program's bond indentures.
- *Unrestricted*—net assets which are available for the use of the Bond Bank.

Operating and Nonoperating Revenues

Revenues are classified as either operating or nonoperating. Operating revenues consist of interest income earned on qualified obligations receivable and the related investments in guaranteed investment contracts and acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. All other items are considered non-operating.

(Continued)

(1) Summary of Significant Accounting Policies (Cont.)

Reclassifications

Certain reclassifications have been made to the financial statements to conform to the current year presentation.

(2) Cash and Investments

The Bond Bank Act permits funds to be invested as provided by resolutions of the Board of Directors or trust indentures executed by the Bond Bank. In addition to authorizing investments in qualified entities, these resolutions and trust indentures have authorized the Bond Bank to invest in obligations of the U.S. Treasury, U.S. agencies and secured and unsecured investment agreements. The Bond Bank has also been authorized to invest in commercial paper, certificates of deposit, repurchase agreements, passbook savings and money market deposit accounts.

The Bond Bank's cash and investments at June 30, 2009 are summarized as follows:

	Cost	Fair Value
U.S. government agency obligations	$ 13,833,656	$ 13,833,656
Money market funds	61,093,349	61,093,349
Investment agreements with banks	36,255,716	36,255,716
Cash	2,205,617	2,205,617
Total cash and investments	$ 113,388,338	$ 113,388,338

The Bond Bank's cash and investments at June 30, 2008 are summarized as follows:

	Cost	Fair Value
U.S. government agency obligations	$ 10,016,965	$ 10,016,965
Money market funds	45,829,014	45,829,014
Investment agreements with banks	42,331,324	42,331,324
Cash	3,910,458	3,910,458
Total cash and investments	$ 102,087,761	$ 102,087,761

The above investments are restricted to repayment of bonds and notes payable issued under the respective programs (see Note 4). Funds deposited under investment agreements with banks and insurance companies earn a fixed interest rate and generally expire upon extinguishment of the debt issues to which they relate.

The Bond Bank's cash is insured in full by the combination of Federal Deposit Insurance Fund (FDIC) and the Indiana Public Deposit Insurance Fund. Funds deposited under investment agreements with banks and insurance companies are unsecured

(2) Cash and Investments (Cont.)

As of June 30, 2009, the Bond Bank had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Government obligations	$ 13,833,656	$ 8,269,209	$ 5,564,447	$ -	$ -
Money market funds	61,093,349	61,093,349	-	-	-
Guaranteed investment contracts	36,255,716	-	914,145	1,989,398	33,352,173
Totals	$111,182,721	$ 69,362,558	$ 6,478,592	$ 1,989,398	$ 33,352,173

Credit Risk Disclosure

The following table provides information on the credit ratings associated with the Bond Bank's investments:

Credit Ratings	S & P	Fitch	Moody's	Fair Value
Government obligations	AAA	AAA	Aaa	$ 13,833,656
Money market funds	AAA	AAA	Aaa	61,093,349
Guaranteed investment contracts				
Aegon	Unrated	Unrated	Aa1	23,960,391
Bayern LB	A	BBB	Aaa	5,916,204
FSA Capital Management	AAA	AA+	Unrated	12,805
GE Capital Corp	Unrated	Unrated	Aa2	523,361
MBIA, Inc	BB	Unrated	Ba3	3,199,960
Natixis Funding Corp	Unrated	A+	Unrated	1,479,295
West LB	A-	Unrated	Unrated	1,163,700
Total Rated Investments				$111,182,721

(2) **Cash and Investments (Cont.)**

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following table shows investment issuers that represent 5% or more of the total investments at June 30, 2009:

Fidelity Institutional US Government Portfolio Money Market Fund	31 %
Aegon GIC	21 %
Columbia Treasury Reserves Money Market Fund	15 %
Bayern LB GIC	5 %

(3) **Qualified Obligations Receivable**

All of the qualified obligations receivable are held in safekeeping by trustees, are registered in the Bond Bank's name and are uninsured. All purchases of qualified obligations are authorized by the Board of Directors. Prior to being presented to the Board of Directors, an evaluation of each purchase is made by Bond Bank management and independent consultants. Repayment of these obligations by the qualified entities is funded by many sources, including property tax revenues and user fees.

In the event of default, the Bond Bank Act provides that certain qualified entities can, to the extent permitted by law, be required to levy tax or the Bond Bank may receive state funding to which the qualified entities are otherwise entitled. No qualified entity has defaulted on its obligation to the Bond Bank since inception of Bond Bank operations.

At June 30, 2009 and 2008, qualified obligations receivable included $64,875,000 and $74,320,000, respectively, which is to be repaid from incremental property tax revenues. The ability of the qualified entities to realize these incremental property tax revenues is dependent upon certain economic developments occurring in the future. Furthermore, the Bond Bank does not have the remedies, as described above, available should the qualified entities default due to the realization of insufficient incremental property tax revenues. Management, however, believes the amount of these obligations to be fully collectible. Additionally, the Bond Bank executed letter of credit arrangements with a bank to further secure the related indebtedness to the Bond Bank bondholders (see Note 4 and Note 5).

As of June 30, 2009 and 2008, the Bond Bank's Board of Directors authorized the purchase and subsequent leasing of equipment totaling approximately $4,755,968 and $5,944,215, respectively, through the Hoosier Equipment Lease Purchase Program. These lease receivables and related obligations are not reflected in the financial statements as the leases and related obligations have been assigned to a bank and the Bond Bank has been legally released from the obligations.

(4) Bonds and Notes Payable

Bonds and notes payable at June 30 consist of the following:

Special Program Bonds:

		2009	2008
Series 1998 A	Refunding Bonds (rates vary from 4.50% to 4.75% with maturities from October 1, 2009 to October 1, 2011)	$ 2,435,000	$ 3,335,000
Series 1998 A	(rates vary from 4.35% to 5.00% with maturities from February 1, 2010 to February 1, 2020)	4,670,000	4,905,000
Series 2000 A	Refunding Bonds (rates vary from 5.60% to 6.40% with maturities from August 1, 2009 to February 1, 2020)	3,635,000	4,600,000
Series 2001 A	(rates vary from 4.50% to 5.125% with maturities from February 1, 2010 to February 1, 2022)	3,930,000	4,260,000
Series 2001 A	Refunding Bonds (rates vary from 5.00% to 5.50% with maturities from February 1, 2010 to February 1, 2022	9,805,000	11,395,000
Series 2001 B	(rates vary from 4.40% to 5.50%, paid off during February 2009)	—	6,445,000
Series 2002 A	(rates vary from 4.00% to 5.50% with maturities from October 1, 2009 to October 1, 2027)	35,345,000	36,715,000
Series 2002 C	(rates vary from 4.10% to 5.00% with maturities from February 1, 2010 to February 1, 2017)	1,135,000	1,625,000
Series 2002 D	(rates vary from 5.00% to 5.38% with maturities from April 1, 2010 to April 1, 2012)	4,430,000	5,780,000
Series 2002 E	(rates vary from 3.50% to 5.25% with maturities from February 1, 2010 to February 1, 2023)	8,580,000	8,880,000
Series 2003 A	(rates vary from 3.63% to 5.25% with maturities from February 1, 2010 to February 1, 2033)	37,830,000	38,705,000
Series 2003 B	(rates vary from 3.75% to 5.00% with maturities from February 1, 2010 to February 1, 2023)	6,435,000	6,910,000
Series 2003 C	(rates vary from 3.00% to 5.00% with maturities from July 25, 2009 to January 1, 2016)	5,430,000	6,295,000
Series 2003 D	(rates vary from 3.00% to 5.00% with maturities from August 1, 2009 to February 1, 2025)	27,515,000	27,515,000
Series 2003 E	(rates vary from 3.00% to 5.00% with maturities from September 1, 2009 to September 1, 2025)	33,865,000	34,440,000
Series 2003 F	(rates vary from 3.00% to 4.75% with maturities from February 1, 2010 to February 1, 2024)	9,690,000	11,095,000
Series 2004 A	(rates vary from 2.75% to 5.00% with maturities from August 1, 2009 to February 1, 2024	14,490,000	15,190,000
Series 2004 B	(rates vary from 3.00% to 5.00% with maturities from February 1, 2010 to February 1, 2023)	14,050,000	14,840,000
Series 2004 C	(rates vary from 4.00% to 5.38% with maturities from August 1, 2009 to February 1, 2031)	32,955,000	33,795,000
Series 2004 D	(rates vary from 3.00% to 5.00% with maturities from February 1, 2010 to February 1, 2022)	24,790,000	26,230,000
Series 2005 A	(rates vary from 3.00% to 4.50% with maturities from August 1, 2009 to February 1, 2027)	12,455,000	13,130,000

(Continued)

(4) Bonds and Notes Payable (Cont.)

Special Program Bonds (Cont.):		2009	2008
Series 2005 B	(rates vary from 3.75% to 4.15% with maturities from February 15, 2010 to February 15, 2020)	$ 7,405,000	$ 7,935,000
Series 2005 C	(rates vary from 3.75% to 4.25% with maturities from June 1, 2010 to June 1, 2026)	9,975,000	10,385,000
Series 2005 D	(rates vary from 3.75% to 5.00% with maturities from August 1, 2009 to August 1, 2028)	4,240,000	4,375,000
Series 2006 B-1	(rates vary from 3.75% to 5.00% with maturities from September 1, 2009 to March 1, 2027)	11,655,000	12,155,000
Series 2006 B-2	(rates vary from 5.50% to 5.80% with maturities from September 1, 2009 to September 1, 2017)	2,875,000	2,890,000
Series 2006 A (Ref)	(rates vary from 4.00% to 5.13% with maturities from August 1, 2009 to September 1, 2024)	23,030,000	24,100,000
Series 2006 C	(rates vary from 4.25% to 5.00% with maturities from February 1, 2010 to February 1, 2023)	19,960,000	20,660,000
Series 2006 D	(rates vary from 4.00% to 4.25% with maturities from August 1, 2009 to February 1, 2027)	11,520,000	12,045,000
Series 2007 A	(rates vary from 5.00% to 5.25% with maturities from April 1, 2013 to April 1, 2030)	44,915,000	44,915,000
Series 2008 A	(rate varies based on lowest available rate in interest period (weekly, monthly, quarterly, annually, or fixed) as selected by the qualified entity, not to exceed 10% per annum. Rate at June 30, 2009 was 2.70%, with maturities from February 1, 2011 to February 1, 2033)	10,500,000	10,500,000
Series 2008 B	(rates vary from 4.00% to 5.79% with maturities from June 1, 2011 to June 1, 2034)	84,464,778	—
Series 2008 D	(rates vary from 4.00% to 4.50% with maturities from February 1, 2010 to February 1, 2013)	6,060,000	—
Series 2009 A	(rates vary from 3.00% to 5.50% with maturities from August 1, 2009 to February 1, 2029)	75,000,000	—
Total Special Program Bonds		605,069,778	466,045,000

Advance Funding Program Notes:			
Series 2007 A	Year End Assist (interest rate of 2.62%, matured on September 4, 2008)	—	26,095,000
Series 2008 A	(interest rate of 3.00% matured on January 30, 2009)	—	518,585,000
Series 2008 A	Midyear (interest rate of 3.00% matured on May 5, 2009)	—	433,005,000
Series 2008 A	Year End Assist (interest rate of 2.60%, maturing on December 31, 2009)	147,305,000	—
Series 2009 A	(interest rate of 2.00% maturing on January 5, 2010)	357,445,000	—
Series 2009 A	Midyear (interest rate of 2.00% maturing on January 6, 2010)	160,965,000	—
Series 2009 B	Midyear (interest rate of 1.00% maturing on January 6, 2010)	41,765,000	—
Total Advance Funding Program Notes		707,480,000	977,685,000

(Continued)

(4) **Bonds and Notes Payable (Cont.)**

		2009	2008
Common School Fund Bonds:			
Series 1996 A	(interest rate of 5.75% with maturities from August 1, 2009 to August 1, 2013)	$ 2,080,000	$ 2,720,000
Series 1999 A	(interest rate of 5.00% with maturities from February 1, 2010 to February 1, 2014)	14,830,000	18,325,000
Series 2001	(interest rate of 5.00% with maturities from February 1, 2010 to February 1, 2019)	12,470,000	17,915,000
Series 2003 A and B	(rates vary from 2.50% to 5.00% with maturities from August 1, 2009 to February 1, 2020)	100,490,000	108,445,000
Series 2009 A	(rates vary from 1.98% to 4.05% with maturities from from August 1, 2009 to August 1, 2013)	61,145,000	—
Total Common School Fund Bonds		191,015,000	147,405,000
School Severance Program Bonds:			
Series 1	(rates vary from 5.68% to 6.30% with maturities from July 15, 2009 to January 15, 2018)	24,970,000	30,730,000
Series 2	(rates vary from 4.00% to 5.72% with maturities from July 15, 2009 to July 15, 2023)	24,270,000	25,925,000
Series 3	(rates vary from 4.45% to 5.85% with maturities from July 15, 2009 to January 15, 2023)	47,405,000	51,620,000
Series 4	(rates vary from 3.27% to 5.07% with maturities from July 15, 2009 to January 15, 2024)	36,995,000	39,745,000
Series 5A	(rates vary from 4.07% to 5.82% with maturities from July 15, 2009 to January 15, 2024)	132,185,000	143,720,000
Series 5B	(interest rate of 5.05% with maturities from July 15, 2009 to January 15, 2019)	11,360,000	12,210,000
Series 5C	(interest rate of 5.15% with maturities from July 15, 2009 to January 15, 2019)	2,995,000	3,220,000
Series 6A	(rates vary from 4.65% to 6.24% with maturities from July 15, 2009 to January 15, 2025)	129,230,000	138,265,000
Series 6B	(interest rate of 5.79% with maturities from July 15, 2009 to January 15, 2025)	12,990,000	13,445,000
Series 7A	(rates vary from 3.96 to 5.73% with maturities from July 15, 2009 to January 15, 2030)	86,310,000	92,190,000
Series 7B	(rates vary from 4.50% to 5.30% with maturities from July 15, 2009 to January 15, 2020)	10,355,000	11,065,000
Series 8A	(rates vary from 4.01% to 5.64% with maturities from July 15, 2009 to January 15, 2029)	110,555,000	118,060,000
Series 8B	(rates vary from 4.01% to 5.49% with maturities from July 15, 2009 to January 15, 2026)	57,335,000	59,770,000
Series 9	(rates vary from 4.01% to 5.53% with maturities from July 15, 2009 to January 15, 2026)	29,450,000	31,640,000
Series 10	(rates vary from 4.88% to 5.68% with maturities from July 15, 2009 to January 15, 2031)	54,230,000	55,720,000
Series 11	(rates vary from 5.48% to 6.20% with maturities from July 15, 2009 to January 15, 2029)	112,915,000	117,375,000
Total Taxable School Severance Bonds		883,550,000	944,700,000

(4) Bonds and Notes Payable (Cont.)

		2009	2008
Prepaid Gas Funding Program Bonds:			
Series 2007 A and B	(2007 A Fixed Bonds rates vary from 5.00% to 5.25%, with maturities from October 15, 2009 to October 15, 2021. 2007 B-1 CPI Index Rate Bonds rates vary based on changes in the CPI Index. The rate at June 30, 2009 was 0.98%, with maturities from October 15, 2011 to October 15, 2015. 2007 B-2 BMA Index Rate Bonds rates vary based on the BMA Municipal Swap Index plus the per annun spread of .48% for 2009, 0.50% for 2010 and 0.66% for 2022. Rate at June 30, 2009 was 1.08%, with maturities from October 15, 2009 to October 15, 2022. 2007 B-3 LIBOR Index Rate Bonds rates vary based on 67% of the Three-Month LIBOR Rate plus the per annum spread of 0.97%. Rate at June 30, 2009 was 1.72%, maturing on October 15, 2022.)	$ 296,095,000	$ 308,570,000
Total Prepaid Gas Funding Program Bonds		296,095,000	308,570,000
Totals		2,683,209,778	2,844,405,000
Add: Net unamortized premium		24,630,500	31,277,252
Less: Deferred charge on refunding		(865,820)	(1,077,092)
Total bonds and notes payable		2,706,974,458	2,874,605,160
Less: Current portion		(844,535,000)	(1,089,490,000)
Noncurrent portion of bonds and notes payable		$ 1,862,439,458	$ 1,785,115,160

(Continued)

(4) **Bonds and Notes Payable (Cont.)**

Series 2007 Interest Rate Swap Agreement – Prepaid Gas Program

Objective of the Interest Rate SWAP Agreement. In August 2007, in anticipation of issuing the Series 2007 B1, B2, and B3 Gas Prepayment Bonds and protecting, in part, the Bond Bank from the risk of any adverse change in interest rates on the Series 2007 Gas Prepayment Bonds, the Bond Bank entered into a Swap Agreement with JP Morgan to lock in a fixed interest rate.

The fixed rate entered into by the Bond Bank pursuant to the Swap Agreement was an off market rate providing the Bond Bank $6,900,000 million in an upfront payment.

Terms for B1 (CPI Index). Under the Swap Agreement, the Bond Bank pays interest to JP Morgan on the notional amount set forth in the CPI Index Swap agreements at the fixed interest rate of 4.11% on a notional amount of $17,080,000, 4.18% on a notional amount of $16,920,000, 4.24% on a notional amount of $16,665,000, 4.28% on a notional amount of $16,930,000, and 4.34% on a notional amount of $10,000,000, in exchange for which JP Morgan pays interest to the Bond Bank on notional amounts at a variable interest rate equal to the rate of change for a one year period of the CPI index three months prior to the settlement date plus a spread of 1.31% on a notional amount of $17,080,000, 1.34% on a notional amount of $16,920,000, 1.37% on a notional amount of $16,665,000, 1.38% on a notional amount of $16,930,000, and 1.40% on a notional amount of $10,000,000. The Swap's total notional amount of $77,595,000 at June 30, 2009 matches the variable rate bonds. The obligation began to bear interest on September 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap agreements, on the 15th of each month.

Fair Value (CPI Index). Because interest rates have decreased since execution of the Swap Agreement, the Swap had a negative fair value of $11,335,195 at June 30, 2009. The Swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the current CPI Index for the month of June 2009. This method calculates the future net settlement payments required by the Swap, assuming that the current CPI index reflects the fair value of the Swap payments. These payments are then discounted using the current CPI index on the coupon due on the date of the future net settlement on the Swap.

Terms for B2 (SIFMA Municipal Swap Index). Under the Swap Agreement, the Bond Bank pays interest to JP Morgan on the notional amount set forth in the weekly BMA Municipal Index Swap agreements at the fixed interest rate of 4.02% on a notional amount of $16,405,000, 4.09% on a notional amount of $17,615,000, and 4.80% on a notional amount of $15,690,000, in exchange for which JP Morgan pays interest to the Bond Bank on notional amounts at a variable interest rate equal to the weekly BMA Municipal Index Swap plus a spread of .48% on a notional amount of $16,405,000, .50% on a notional amount of $17,615,000, and .66% on a notional amount of $15,690,000. The Swap's total notional amount of $49,710,000 at June 30, 2009 matches the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap agreements, on the 15th of October, January, April, and July.

(4) Bonds and Notes Payable (Cont.)

Fair Value (SIFMA Municipal Swap Index). Because SIFMA Municipal Swap Index rates have decreased since execution of the Swap Agreement, the Swap had a negative fair value of $8,298,654 at June 30, 2009. The Swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the current weekly BMA Municipal Index Swap closest to June 30, 2009. This method calculates the future net settlement payments required by the Swap, assuming that the weekly SIFMA Municipal Index Swap closest to June 30, 2009 reflects the fair value of the Swap payments. These payments are then discounted using the current weekly SIFMA Municipal Index Swap closest to June 30, 2009 on the coupon due on the date of the future net settlement on the Swap.

Terms for B3 (LIBOR Index). Under the Swap Agreement, the Bond Bank pays interest to JP Morgan on the notional amount set forth in the three month LIBOR agreements at the fixed interest rate of 4.73%, in exchange for which JP Morgan pays interest to the Bond Bank on notional amounts at a variable interest rate equal to 67% of the three month LIBOR plus a spread of .97%. The Swap's notional amount of $22,500,000 at June 30, 2009 matches the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap agreements, on the 15th of October, January, April, and July.

Fair Value (LIBOR Index). Because LIBOR interest rates have decreased since execution of the Swap Agreement, the Swap had a negative fair value of $9,040,327 at June 30, 2009. The Swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the Swap.

Credit Risk. As of June 30, 2009, the Bond Bank was not exposed to credit risk because the LIBOR, the SIFMA, and the CPI index swaps had negative fair values. However, should interest rates change and the fair value of the Swap becomes positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Swap counterparty, JP Morgan, was rated AA- by Fitch Ratings and Standard & Poor's and Aa2 by Moody's Investor Service as of June 30, 2009.

Termination Risk. At any time, the Bond Bank may terminate the Swap by providing at least a two day written notice to JP Morgan. If at the time of termination the swap has a negative fair value, the Bond Bank would be liable to the Swap provider for a payment equal to the Swap's fair value.

(4) Bonds and Notes Payable (Cont.)

Swap Payments and Associated Debt. As of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Variable-Rate Bonds (B1, CPI Index)

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ -	$ 757,560	$ 2,516,884	$ 3,274,444
2011	-	757,560	2,516,884	3,274,444
2012	17,080,000	757,560	2,516,884	3,274,444
2013	16,920,000	598,716	1,973,740	2,572,456
2014	16,665,000	436,284	1,428,916	1,865,200
2015	16,930,000	271,300	887,304	1,158,604
2016	10,000,000	101,997	332,003	434,000
Total	$ 77,595,000	$ 3,680,977	$ 12,172,615	$ 15,853,592

Variable-Rate Bonds (B2, BMA Index)

Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ 16,405,000	$ 533,836	$ 1,599,219	$ 2,133,055
2011	17,615,000	368,146	1,105,428	1,473,574
2012	-	186,711	566,409	753,120
2013	-	186,711	566,409	753,120
2014	-	186,711	566,409	753,120
2015	-	186,711	566,409	753,120
2016	-	186,711	566,409	753,120
2017	-	186,711	566,409	753,120
2018		186,711	566,409	753,120
2019	-	186,711	566,409	753,120
2020	-	186,711	566,409	753,120
2021	-	186,711	566,409	753,120
2022	-	186,711	566,409	753,120
2023	15,690,000	186,711	566,409	753,120
Total	$ 49,710,000	$ 3,142,514	$ 9,501,555	$ 12,644,069

(4) Bonds and Notes Payable (Cont.)

	Variable-Rate Bonds (B3, LIBOR Index)			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2010	$ -	$ 385,875	$ 678,375	$ 1,064,250
2011	-	385,875	678,375	1,064,250
2012	-	385,875	678,375	1,064,250
2013	-	385,875	678,375	1,064,250
2014	-	385,875	678,375	1,064,250
2015	-	385,875	678,375	1,064,250
2016	-	385,875	678,375	1,064,250
2017	-	385,875	678,375	1,064,250
2018		385,875	678,375	1,064,250
2019	-	385,875	678,375	1,064,250
2020	-	385,875	678,375	1,064,250
2021	-	385,875	678,375	1,064,250
2022	-	385,875	678,375	1,064,250
2023	22,500,000	385,875	678,375	1,064,250
Total	$ 22,500,000	$ 5,402,250	$ 9,497,250	$ 14,899,500

The bonds and notes payable listed above were issued under respective indentures of trust. Each indenture requires the maintenance of various trust accounts, and several of the bonds and notes payable require debt service reserve accounts. Assets held in debt service reserve accounts are included in investments and amounted to $14,737,351 and $10,091,735 at June 30, 2009 and 2008, respectively.

The faith, credit and taxing power of the State of Indiana or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, the following series of Bond Bank bonds are fully insured by a private insurer at June 30, 2009.

Special Program Bonds
- Series 1998 A (payments from February 1, 2009 through February 1, 2017)
- Series 2001 Refunding
- Series 2002 A
- Series 2002 C
- Series 2002 D
- Series 2002 E
- Series 2003 A
- Series 2003 B

(4) Bonds and Notes Payable (Cont.)

Special Program Bonds (continued)
- Series 2003 C
- Series 2003 D
- Series 2003 E
- Series 2003 F
- Series 2004 A
- Series 2004 B
- Series 2004 C
- Series 2004 D
- Series 2005 A
- Series 2005 B
- Series 2005 C
- Series 2005 D
- Series 2006 A Refunding
- Series 2006 B
- Series 2006 C
- Series 2006 D
- Series 2007 A Refunding
- Series 2008 B
- Series 2008 D-1 & D-2

Common School Fund Bonds
- Series 1996 A
- Series 1999 A
- Series 2001 A
- Series 2003 A & B

Taxable School Severance Funding Bonds
- Series 1
- Series 2
- Series 3
- Series 4
- Series 5 A, B & C
- Series 6 A & B
- Series 7 A & B
- Series 8 A & B
- Series 9
- Series 10
- Series 11

(4) **Bonds and Notes Payable (Cont.)**

The Bond Bank is required under the trust indentures of certain series of Special Program Bonds to enter into letter of credit arrangements with banks in order to secure the indebtedness.

The Special Program Bond 2008A Bond is secured by a letter of credit in the amount of $10,500,000 with Huntington National Bank. It has an annual commission fee equal to one and one quarter percent (1.25%) per annum of the maximum amount available to be drawn on the letter of credit and a one-time upfront fee in the amount of $25,000. The letter of credit expires in 2013. S & P rated Huntington National Bank's credit rating as A-.

Additionally, the Bond Bank was required under the trust indentures of certain series of bonds and notes payable to enter into line of credit arrangements with banks in order to secure the indebtedness. These line of credit arrangements are renewable each year.

The amounts eligible to be drawn under these arrangements at June 30, 2009 are as follows:

Series	Eligible amount
Advance Funding Program, Series 2009 A	$ 46,467,850
Advance Funding Program, Series 2009 A (Midyear)	19,315,800
Special Program Bonds, Series 2002 A	3,185,294
Special Program Bonds, Series 2002 C	394,000
Special Program Bonds, Series 2002 D	4,115,638
Special Program Bonds, Series 2002 E	895,613
Special Program Bonds, Series 2003 A	2,701,399
Special Program Bonds, Series 2003 B	802,606
Special Program Bonds, Series 2003 D	2,531,875
Special Program Bonds, Series 2003 F-1 & F-2	1,537,104
Special Program Bonds, Series 2004 A	1,354,712
Special Program Bonds, Series 2004 B	1,505,794
Special Program Bonds, Series 2004 C	2,514,999
Special Program Bonds, Series 2004 D	2,599,927
Special Program Bonds, Series 2005 A	1,212,444
Special Program Bonds, Series 2005 C	830,969
Special Program Bonds, Series 2005 D	329,062
Special Program Bonds, Series 2006 A (Ref)	2,186,637
Special Program Bonds, Series 2006 B-1	1,259,641
Special Program Bonds, Series 2006 C	2,081,120
Special Program Bonds, Series 2006 D	1,584,938
Special Program Bonds, Series 2007 A Ref	3,920,650
Special Program Bonds, Series 2008 A	10,500,000
Special Program Bonds, Series 2008 D-1 & D-2	2,500,600

(4) Bonds and Notes Payable (Cont.)

In the event of a draw on either a letter or line of credit facility, each borrowing will bear an interest rate based upon a series of optional rates as specified in the particular agreement. No draws were made against any debt service reserve account, letter, or line of credit facility during the years ended June 30, 2009 or 2008.

Maturities of long-term debt and interest are as follows:

Fiscal Year Ending June 30	Principal	Interest
2010	$ 844,535,000	$ 105,419,348
2011	142,925,000	85,774,762
2012	140,675,000	80,248,269
2013	141,500,000	74,607,712
2014	137,290,000	68,736,565
2015-2019	588,700,000	257,852,489
2020-2024	473,475,000	116,253,536
2025-2029	170,282,252	33,764,810
2030-2034	43,827,526	5,114,277
	2,683,209,778	$ 827,771,768
Add: Unamortized premium	24,630,500	
Less: Deferred charge	(865,820)	
	$ 2,706,974,458	

Prior to July 1, 2008, the Bond Bank issued $49,325,000 of debt on behalf of seventeen not-for-profit qualified water utilities. At June 30, 2009 and 2008, the balance outstanding for these qualified water utilities totaled $21,183,000 and $22,981,090, respectively. Under the provisions of these debt issues, the bonds are payable solely from the revenues generated by the qualified water utilities. This debt does not constitute a general or moral obligation of the Bond Bank nor are debt service reserve funds maintained for these debt issues. The Bond Bank is not obligated in any manner for repayment of the bonds. For these reasons, the Bond Bank has not recorded these debt issues and the related utilities' obligations in the accompanying financial statements.

The Bond Bank is restricted by statute (IC 5-1.5-4-1(c)) to limit its total outstanding debt to $1,000,000,000. However, the statute allows for the exclusion of bonds and notes issued funding the refunding of bonds or notes, as well as bonds, notes, or other obligations that are not secured by a reserve fund as defined by IC 5-1.5-5. Accordingly, the debt involving not-for-profit water utilities discussed above is not included when computing the Bond Bank's available debt limit. In addition, certain debt recorded in the Bond Bank's financial statements is not included in such a computation due to the provisions described in the statute.

(Continued)

(4) Bonds and Notes Payable (Cont.)

A reconciliation of debt outstanding as reflected in the financial statements to the statutory debt limit is as follows:

Bonds and notes payable–face amount	$ 2,683,209,778
Less: Debt recorded which does not require reserve funds	2,183,474,778
Debt outstanding for statutory debt limit purposes at June 30, 2009	499,735,000
Available remaining debt limit for statutory purposes	500,265,000
Statutory debt limit	$ 1,000,000,000

Special Program Bonds Series 1985 A, 2000 A, and 2000 D are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of approximately $84,725,000 and $91,225,000 at June 30, 2009 and 2008, respectively.

During 2008, the Bond Bank issued Special Program Bonds Series 2008 A in the amount of $10,500,000. A portion of the proceeds from the issue were used to refund Special Program Bonds Series 1997 D, which were outstanding in the amount of $4,280,000 and a portion of the proceeds were used to refund Special Program Bonds Series 2002 B, which were outstanding in the amount of $5,265,000. The cash flow difference between the debt service on the Special Program Bonds, Series 1997 D and 2002 B, and the new debt is $955,000 and the economic gain is $2,031.

(4) Bonds and Notes Payable (Cont.)

Changes in the Bond Bank's long-term liabilities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2009					
Bonds and notes payable	$ 2,875,682,252	$ 1,872,678,137	$ 2,040,520,111	$ 2,707,840,278	$ 844,535,000
Less deferred amounts	1,077,092	-	211,272	865,820	-
	2,874,605,160	1,872,678,137	2,040,308,839	2,706,974,458	844,535,000
Deferred revenues	494,343	-	1,328	493,015	-
Total	$ 2,875,099,503	$ 1,872,678,137	$ 2,040,310,167	$ 2,707,467,473	$ 844,535,000
2008					
Bonds and notes payable	$ 2,409,207,347	$ 2,145,622,510	$ 1,679,147,605	$ 2,875,682,252	$ 1,089,490,000
Less deferred amounts	1,378,437	-	301,345	1,077,092	-
	2,407,828,910	2,145,622,510	1,678,846,260	2,874,605,160	1,089,490,000
Deferred revenues	493,615	2,032	1,304	494,343	-
Total	$ 2,408,322,525	$ 2,145,624,542	$ 1,678,847,564	$ 2,875,099,503	$ 1,089,490,000

(5) Concentrations of Credit

The Bond Bank has qualified obligations receivable in counties throughout the State of Indiana. The largest concentrations of such receivables are with qualified entities are as follows:

County	Qualified Obligations Receivable	Concentration Percentage
Marion	$ 710,184,202	27%
Hendricks	220,527,245	8%
Lake	190,407,883	7%
Hamilton	144,081,083	5%
St. Joseph	109,740,892	4%
Madison	83,451,720	3%

No other county has a concentration over 3.0% of the total qualified obligations receivable at June 30, 2009. Of these bonds and notes, $493,973,644 is from the Advance Funding Program.

(6) Employee Benefits

The Bond Bank contributes to the Public Employees' Retirement Fund (PERF) of the State of Indiana, an agent multiple-employer public employee retirement system which acts as a common investment and administrative agent for State of Indiana employees and employees of the various subdivisions and instrumentalities of the State of Indiana. All employees of the Bond Bank participate in this plan. The Public Employees' Retirement Fund of the State of Indiana issues a publicly available financial report that includes financial statements and required supplementary information for the Bond Bank's plan. That report may be obtained by writing to Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204.

The plan is a contributory defined benefit plan. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, an employee may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earnings. Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit ranging from 44.0% to 98.8% of the pension benefit described above.

Employer contributions for the years ended June 30, 2009 and 2008 were $14,403 and $14,663, respectively. Covered payroll for the same periods amounted to $212,377 and $232,746, respectively. Separate information concerning the accumulated benefit obligation and actuarially determined benefit obligation is not material to the financial position of the Bond Bank and, accordingly, is not presented.

In addition, the employees contribute 3% of compensation to an annuity savings account. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. Upon retirement, members may elect a lump-sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive their balance in the savings account.

(Continued)

(7) Operating Leases

The Bond Bank leases office space as well as office equipment under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2009:

Fiscal Year Ending June 30	Payments
2010	$ 50,684
2011	24,768
	$ 75,452

In addition to the minimum lease payments, the Bond Bank is required to pay insurance, taxes and a proportional share of operating costs in excess of a basic level for the office space. The aggregate rental expense charged to operations was $52,928 and $47,903 for 2009 and 2008, respectively.

(8) Subsequent Events

The following issues have been closed since the statement of net assets date of June 30, 2009: Advance funding Midyear Series C of $24,265,000, Special 2009 B-1 of $4,040,000, and Special 2009 B-2 of $2,980,000.

The following applications have been approved since the statement of net assets date of June 30, 2009: City of Anderson for $4,895,000, City of Lawrence Sewer for $3,840,000, City of Lawrence Sewer taxable for $410,000, City of Lawrence Water for $5,280,000, City of Lawrence Water taxable for $1,225,000, City of Rushville for $1,115,000, City of South Bend for $5,380,000 and Clark Memorial Hospital for $52,000,000.

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Supplemental Schedule of Net Assets Information by Program Type

June 30, 2009

Assets	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Eliminations	Total
Current assets:								
Cash and cash equivalents	$ 12,855,675	$ 7,778,620	$ 15,595,978	$ 1,814,004	$ 38,760,568	$ 327,777	$ —	$ 77,132,622
Qualified obligations receivable	22,679,100	703,913,187	—	30,268,674	42,412,654	16,405,000	—	815,678,615
Accrued interest receivable	8,149,026	5,032,048	—	4,123,687	7,693,483	2,120,383	—	27,118,627
Interfund receivables	19,628	—	281,052	—	—	—	(300,680)	—
Total current assets	43,703,429	716,723,855	15,877,030	36,206,365	88,866,705	18,853,160	(300,680)	919,929,864
Noncurrent assets:								
Investments, at fair value	11,203,934	—	—	914,145	177,246	23,960,391	—	36,255,716
Qualified obligations receivable	561,062,712	—	—	161,268,693	808,698,856	282,240,591	—	1,813,270,852
Deferred debt issuance costs, net	9,521,211	1,009,503	—	1,684,954	7,892,365	2,788,273	—	22,896,306
Total noncurrent assets	581,787,857	1,009,503	—	163,867,792	816,768,467	308,989,255	—	1,872,422,874
Total assets	625,491,286	717,733,358	15,877,030	200,074,157	905,635,172	327,842,415	(300,680)	2,792,352,738
Liabilities								
Current liabilities:								
Bonds and notes payable	25,205,000	707,480,000	—	30,385,000	65,060,000	16,405,000	—	844,535,000
Accrued interest payable	9,513,490	5,125,605	—	3,152,637	21,290,065	2,120,382	—	41,202,179
Funds held for qualified entities	—	1,391,242	—	—	—	24,159,924	—	25,551,166
Accounts payable	305,400	—	70,990	—	—	167,500	—	543,890
Interfund payables	300,680	—	—	—	—	—	(300,680)	—
Total current liabilities	35,324,570	713,996,847	70,990	33,537,637	86,350,065	42,852,806	(300,680)	911,832,235
Noncurrent liabilities:								
Bonds and notes payable, net of current portion	589,380,313	2,849,277	—	166,683,638	818,414,313	285,111,917	—	1,862,439,458
Deferred revenues	11,278	—	481,737	—	—	—	—	493,015
Total noncurrent liabilities	589,391,591	2,849,277	481,737	166,683,638	818,414,313	285,111,917	—	1,862,932,473
Total liabilities	624,716,161	716,846,124	552,727	200,221,275	904,764,378	327,964,723	(300,680)	2,774,764,708
Net Assets								
Restricted for debt service	775,125	887,234	—	(147,118)	870,794	(122,308)	—	2,263,727
Unrestricted	—	—	15,324,303	—	—	—	—	15,324,303
Total net assets	$ 775,125	$ 887,234	$ 15,324,303	$ (147,118)	$ 870,794	$ (122,308)	$ —	$ 17,588,030

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Supplemental Schedule of Net Assets Information by Program Type

June 30, 2008

Assets	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Eliminations	Total
Current assets:								
Cash and cash equivalents	$ 5,603,259	$ 6,615,884	$ 13,472,092	$ 1,672,911	$ 32,233,306	$ 158,985	$ —	$ 59,756,437
Qualified obligations receivable	18,574,400	976,113,721	—	17,987,062	43,539,018	12,475,000	—	1,068,689,201
Accrued interest receivable	7,021,387	5,857,121	—	3,467,223	10,395,362	2,808,202	—	29,549,295
Interfund receivables	19,628	—	281,052	—	—	—	(300,680)	—
Total current assets	31,218,674	988,586,726	13,753,144	23,127,196	86,167,686	15,442,187	(300,680)	1,157,994,933
Noncurrent assets:								
Investments, at fair value	13,783,043	3,128,495	—	1,084,472	175,389	24,159,925	—	42,331,324
Qualified obligations receivable	432,175,910	—	—	132,482,000	872,662,810	298,994,050	—	1,736,314,770
Deferred debt issuance costs, net	8,132,333	1,094,531	—	1,175,778	9,149,343	3,169,205	—	22,721,190
Total noncurrent assets	454,091,286	4,223,026	—	134,742,250	881,987,542	326,323,180	—	1,801,367,284
Total assets	485,309,960	992,809,752	13,753,144	157,869,446	968,155,228	341,765,367	(300,680)	2,959,362,217
Liabilities								
Current liabilities:								
Bonds and notes payable	20,645,000	977,685,000	—	17,535,000	61,150,000	12,475,000	—	1,089,490,000
Accrued interest payable	8,467,360	7,196,571	—	3,075,725	22,622,395	2,808,204	—	44,170,255
Funds held for qualified entities	—	—	—	—	—	24,159,925	—	24,159,925
Accounts payable	255,500	—	83,127	11,300	343,365	53,900	—	747,192
Interfund payables	300,680	—	—	—	—	—	(300,680)	—
Total current liabilities	29,668,540	984,881,571	83,127	20,622,025	84,115,760	39,497,029	(300,680)	1,158,567,372
Noncurrent liabilities:								
Bonds and notes payable, net of current portion	454,774,363	7,216,804	—	137,394,541	883,471,800	302,257,652	—	1,785,115,160
Deferred revenues	12,606	—	481,737	—	—	—	—	494,343
Total noncurrent liabilities	454,786,969	7,216,804	481,737	137,394,541	883,471,800	302,257,652	—	1,785,609,503
Total liabilities	484,455,509	992,098,375	564,864	158,016,566	967,587,560	341,754,681	(300,680)	2,944,176,875
Net Assets								
Restricted for debt service	854,451	711,377	—	(147,120)	567,668	10,686	—	1,997,062
Unrestricted	—	—	13,188,280	—	—	—	—	13,188,280
Total net assets	$ 854,451	$ 711,377	$ 13,188,280	$ (147,120)	$ 567,668	$ 10,686	$ —	$ 15,185,342

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Supplemental Schedule of Revenue, Expenses and Changes in Net Assets Information by Program Type

Year Ended June 30, 2009

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Total
Operating revenues:							
Interest income	$ 28,461,820	$ 28,169,075	$ —	$ 6,190,982	$ 48,667,792	$ 13,439,791	$ 124,929,460
Acceptance and administration fees	—	—	1,033,491	—	—	—	1,033,491
Total operating revenues	28,461,820	28,169,075	1,033,491	6,190,982	48,667,792	13,439,791	125,962,951
Operating expenses:							
Interest	27,235,274	23,555,366	—	5,814,008	47,078,352	13,163,324	116,846,324
Amortization of debt issuance costs	1,164,081	2,443,770	—	358,805	1,256,980	380,930	5,604,566
General and administrative	141,791	107,854	1,255,078	18,167	29,334	28,531	1,580,755
Total operating expenses	28,541,146	26,106,990	1,255,078	6,190,980	48,364,666	13,572,785	124,031,645
Operating income (loss)	(79,326)	2,062,085	(221,587)	2	303,126	(132,994)	1,931,306
Nonoperating revenues:							
Interest income on investments	—	—	471,382	—	—	—	471,382
Change in net assets before transfers	(79,326)	2,062,085	249,795	2	303,126	(132,994)	2,402,688
Transfers	—	(1,886,228)	1,886,228	—	—	—	—
Change in net assets	$ (79,326)	$ 175,857	$ 2,136,023	$ 2	$ 303,126	$ (132,994)	$ 2,402,688

Indiana Bond Bank
(A Component Unit of the State of Indiana)

Supplemental Schedule of Revenues, Expenses and Changes in Net Assets Information by Program Type

Year Ended June 30, 2008

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Total
Operating revenues:							
Interest income	$ 25,629,866	$ 32,621,528	$ —	$ 6,500,654	$ 51,118,903	$ 12,860,255	$ 128,731,206
Acceptance and administration fees	—	—	260,687	—	—	—	260,687
Total operating revenues	25,629,866	32,621,528	260,687	6,500,654	51,118,903	12,860,255	128,991,893
Operating expenses:							
Interest	24,438,514	30,072,136	—	6,179,222	49,859,665	12,450,589	123,000,126
Amortization of debt issuance costs	1,035,461	1,783,648	—	300,631	1,353,785	396,979	4,870,504
General and administrative	40,096	40,381	716,152	20,801	32,024	2,001	851,455
Total operating expenses	25,514,071	31,896,165	716,152	6,500,654	51,245,474	12,849,569	128,722,085
Operating income (loss)	115,795	725,363	(455,465)	—	(126,571)	10,686	269,808
Nonoperating revenues:							
Interest income on investments	—	—	615,749	—	—	—	615,749
Change in net assets before transfers	115,795	725,363	160,284	—	(126,571)	10,686	885,557
Transfers	—	(1,395,042)	1,395,042	—	—	—	—
Change in net assets	$ 115,795	$ (669,679)	$ 1,555,326	$ —	$ (126,571)	$ 10,686	$ 885,557