STATE OF INDIANA

Drinking Water State Revolving Fund Loan Program

Annual Report
State Fiscal Year 2008
July 1, 2008

STATE OF INDIANA
DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM
STATE FISCAL YEAR 2008 ANNUAL REPORT

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I. INTRODUCTION

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

This Annual Report is for State Fiscal Year (SFY) 2008 (July 1, 2007 - June 30, 2008). 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. PROGRAM MANAGEMENT - 40 CFR 35.3570 (a)(3)(i)

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

III. GOALS AND OBJECTIVES OF THE SFY 2008 INTENDED USE PLAN – 40 CFR 35.3570 (a)(1)

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

To accomplish these intentions, the Authority set short-term and long-term goals and objectives as part of the SFY 2008 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.

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

The Authority has fully met its State Match requirements through the end of SFY 2008 by means of depositing the net proceeds from revenue bonds issued by the Authority into the Drinking Water State Revolving Loan Fund (DWSRF). $2.4 million of additional State Match was deposited in the DWSRF in SFY 2008. To date, the DWSRF Loan Program State Match has aggregated in excess of 20% of the awarded $135,636,100 capitalization grants (Exhibit B) through June 30, 2008, as summarized in the table of cumulative State Match set forth in Exhibit C. This report details State Match deposited in the DWSRF through the end of SFY 2008, 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.

V. FUNDS AVAILABLE AND BINDING COMMITMENTS – 40 CFR 35.3570 (a)(3)(iii)

During SFY 2008, the DWSRF Loan Program closed five loans totaling $22,017,000. Since the DWSRF Loan Program's inception in 1997, 112 loans aggregating approximately $317 million have been closed, which is more than two times the amount of federal capitalization grants that have been awarded to the DWSRF Loan Program ($135,636,100). The DWSRF Loan Program disbursed $28,582,334 to Participants in SFY 2008 to fund projects that were previously financed with a DWSRF Loan Program loan.

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 $272.9 million in outstanding principal as of June 30, 2008, a portion of which has funded DWSRF Loan Program loans. A summary of the accounts and associated balances are set forth in Exhibit D: 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, costs of issuance, etc.

A. Interest Rates

The Authority recognizes the continued need to balance the level of subsidy (that is, the cost of offering loans at below-market interest rates) with the inherent limited capacity of the DWSRF Loan Program to meet demand for loans and community 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 SRF Program Interest Rate (Base Rate). The Base Rate is calculated by using 90 percent 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 borrower's Median Household Income (MHI) from the 2000 Census data and projected user rates. User rate information is reviewed by the DWSRF Loan Program staff to finalize a DWSRF Loan Program interest rate.

The DWSRF Loan Program interest rates ranged from 2.56% to 4.28%, during SFY 2008. A summary of the actual interest rates for each quarter of SFY 2008 is set forth in Exhibit E, attached hereto.

The subsidized DWSRF Loan Program interest rate has provided aggregate savings of $8,088,221 to Participants closing a DWSRF Loan Program loan during SFY 2008. See Exhibit F for savings provided to each Participant.

B. Terms

Consistent with applicable law, all DWSRF Loan Program loans closed in SFY 2008 were structured with annual principal repayments commencing one year

after expected completion of the proposed project and a final principal payment no later than 20 years after expected completion of the proposed project.

C. Other Assistance Provided

During SFY 2008, the DWSRF Loan Program did not provide any SRF Pooled Loans, a program that offers eligible Participants the "AAA" interest rate that is available to the SRF Loan Program at the time of their loan closing. Most Participants realized substantial savings when compared to their "open market" rate. Although no Pooled Loans occurred in SFY 2008, the DWSRF Loan Program expects to continue the SRF Pooled Program in the future.

The DWSRF Loan Program did not refinance any projects during SFY 2008.

D. Requirements for Loan Closing

The Authority requires each DWSRF Loan Program Participant to establish a dedicated source of payment for all loans made by the DWSRF Loan Program and cause such loans to be paid according to their terms. The Authority generally expects each loan to be evidenced by bonds (or other evidence of indebtedness) issued by or on behalf of the Participant. For a summary of all loans closed by the DWSRF Loan Program during SFY 2008, please see Exhibit F.

In addition, the Authority has two closing requirements that Participants are required to complete prior to closing a traditional subsidized financing with the SRF Loan Program. Communities eligible for SRF subsidized financing are required to bid their entire project before closing an SRF loan. This requirement assists both the SRF Loan Program and the Participant in properly sizing the loan and ensuring that loan funds are be utilized in a timely manner and additional loan closings (and costs associated therewith) can be avoided. (Note: Communities participating in the SRF Pooled Loan Program are also strongly encouraged to bid projects prior to closing a loan to assure appropriate loan sizing.) The second requirement is that all Participants who close a loan with the SRF Loan Program to enter into a Paying Agent Agreement (Agreement) with the Bank of New York Trust Company (Bank). Pursuant to the Agreement, the Participant's debt service reserve account and bond and interest account are held with the Indianapolis Office of the Bank. By having the accounts held with the Bank, the Participant is given preferred investment opportunities.

E. DWSRF Loan Program Financial Statements

1. The DWSRF Loan Program is audited annually by an independent certified public accounting firm. For SFY 2008, ended June 30, 2008, the DWSRF Loan Program received an unqualified opinion from an independent auditor, which is provided as Exhibit G.

2. The DWSRF Loan Program is audited annually for compliance with the requirements set forth in the U.S. Office of Management and Budget (OMB) Circular A-133. For SFY 2008 ended June 30, 2008, the DWSRF Loan Program was determined to be "in compliance," as noted in the Schedule of

Expenditures of Federal Awards and OMB Circular A-133 Auditor's Reports. The A-133 report is provided as Exhibit H.

F. Federal Requirements

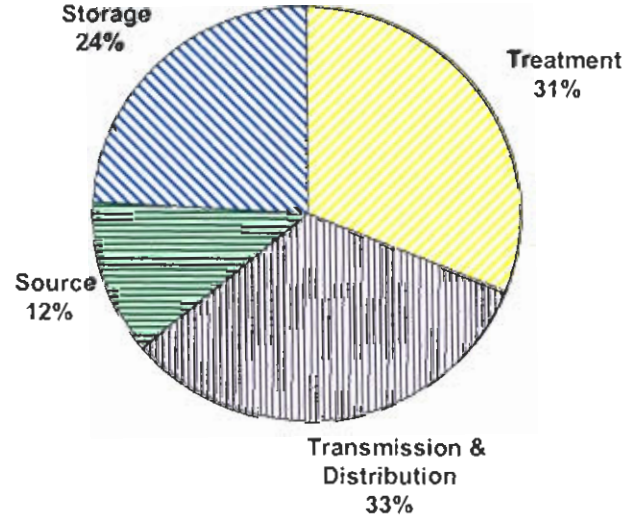
The Authority has fulfilled all applicable federal requirements: assurances and certifications provided in the IUP have been met; closed loans equal more than the required 120% of each quarterly capitalization grant payment and were made within one year of receipt of all payments; all funds have been used in a timely and expeditious manner; and environmental reviews have been done in accordance with federal and State law. All loans made during the SFY 2008 had related projects listed on the Authority's Project Priority List (PPL).

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

During SFY 2008, the DWSRF Loan Program closed five loans totaling approximately $22 million, resulting in a cumulative total of 112 loans closed aggregating approximately $317 million. The description of each project funded in SFY 2008 is attached in Exhibit I, along with a map showing the location of these projects, attached as Exhibit J. A map showing the location of all projects funded since the inception of the DWSRF Loan Program is attached as Exhibit K. The scoring and ranking system of the DWSRF Loan Program continues to focus on those projects with the greatest public health need.

Treatment and transmission & distribution type projects each accounted for approximately one-third of SFY 2008 loan dollars, as shown in the SFY 2008 Loan Dollars by Project Type graph below.

SFY 2008 Loan Dollars by Project Type



VII. ELIGIBILITY – 40 CFR 35.3570 (a)(3)(v)

All projects funded during SFY 2008 were reviewed for eligibility. It is the goal of the DWSRF Loan Program to ensure that each project:

- allows the Participant to achieve or maintain compliance with the SDWA;
- allows the Participant to provide drinking water of adequate quality and quantity to residents;
- allows the Participant to meet technical, financial, and managerial capacity (or that the system applying is already meeting capacity requirements);
- does not cause environmental concerns for the Department of Environmental Management (Department) or other environmental review authorities. Prior to funding, each project was reviewed in accordance with the EPA-approved State Environmental Review Procedures (SERP).

In SFY 2008, 80% of projects assisted compliant systems to maintain compliance with the Safe Drinking Water Act and 20% of projects assisted non-compliant systems to achieve compliance with the Safe Drinking Water Act.

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

The Authority is responsible for managing the Set-Aside funds. The Authority's average Set-Aside spending rate is 83.6%; the national average Set-Aside spending rate is 73.5% (source: EPA). See Exhibit L for a summary of Set-Aside activities and balances.

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

A small system is a public water system that regularly serves 10,000 or fewer persons. Two of the five loans made in SFY 2008 were to communities serving less than 10,000 persons. For all five DWSRF loans, the average population served in SFY 2008 was 8,111. See Exhibit F for population served by each Participant.

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

The Authority defines a disadvantaged community as one with both 1) a Median Household Income (MHI) below $33,669, as established by the 2000 US Census, and 2) an estimated post project user rate greater than $45.00 per month. These communities are eligible to receive the lowest interest rate the Authority provides to DWSRF Loan Program Participants. See Section V.A. of this report for a description of the DWSRF Loan Program's interest rate structure. The Authority does not currently provide principal forgiveness or negative interest rate loans.

During SFY 2008, approximately $20 million was provided to four disadvantaged communities. The total disadvantaged population served was 30,457 persons.

XI. FEES – 40 CFR 35.3570 (a)(3)(ix)

The cost of making and securing loans includes: the fees and expenses of bond counsel, DWSRF Loan Program Counsel, and the cost of making appropriate municipal disclosures. The Authority may require Participants to offset some of these costs through a Loan Closing Fee, which is $1,000 per Participant. The DWSRF Loan Program may also assess a Non-Use Fee on funds not used for project costs two years following the loan closing. In SFY 2008, the DWSRF Loan Program collected $5,000 in Loan Closing Fees. The DWSRF Loan Program has not collected Non-Use Fees from a Participant, to date.

XII. 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 2008. For a historic summary of transfers, see Exhibit M.

XIII. CROSS COLLATERALIZATION – 40 CFR 35.3570 (a)(3)(xi)

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

This cross-collateralization arrangement maximizes the security for bonds issued by the State to capitalize the SRF Loan Programs. Accordingly, this could relate to and affect all types of funds held in them. 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. To date, no transfers of this nature have been made.

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

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

All DWSRF Loan Program-funded projects and activities were in compliance with Federal Cross-Cutting Authorities and State environmental review procedures.

XV. COMPLIANCE WITH 40 CFR PART 31 – 40 CFR 35.3570 (a)(3)(xiv)

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

Exhibit A
DWSRF Loan Program Report on Goals and Objectives of SFY 2008

Short-term goals and objectives are those the State expects to achieve during SFY 2008, while long-term goals and objectives are those the State expects to achieve over a longer period.

A. Short-Term Goals and Objectives

(ST1) Seek the immediate award of the 2008 capitalization grant. Continue to disburse loan proceeds such that the 2008 Capitalization Grant can promptly be deposited and, as expenditures are incurred or paid, be converted to cash.

On May 12, 2008, EPA awarded the 2008 Capitalization Grant. The DWSRF Loan Program will disburse loan proceeds in a timely manner.

(ST2) Evaluate the success of the DWSRF Loan Program in terms of the number of DWSRF projects that provide the following public health benefits:

- Achieve compliance with the Safe Drinking Water Act
- Maintain compliance with the Safe Drinking Water Act
- Meet future requirements of the Safe Drinking Water Act

Five loans were made in SFY 2008; 80% of projects assisted compliant systems to maintain compliance with the Safe Drinking Water Act and 20% of projects assisted non-compliant systems to achieve compliance with the Safe Drinking Water Act.

Community	Public Health Benefits
Dupont Water Company	Maintain compliance with the Safe Drinking Water Act
City of Greensburg	Maintain compliance with the Safe Drinking Water Act
City of Martinsville	Achieve compliance with the Safe Drinking Water Act
Town of Rosedale	Maintain compliance with the Safe Drinking Water Act
Edwardsville Water Company	Maintain compliance with the Safe Drinking Water Act

(ST3) Review financial statements for one-half of Participants to ensure compliance with the covenants contained in the loan documents and conduct on-site financial visits as necessary

95% of all loan participants' State Board of Accounts audits have been collected, reviewed and deemed satisfactory.

(ST4) Conduct at least 18 technical inspections during the construction phase and the post-construction phase of DWSRF financed projects to document the construction progress of DWSRF financed projects, as well as the appropriate use of DWSRF Funds.

SRF Loan Program staff completed 18 inspections in SFY 2008.

(ST5) Conduct the 2007 Drinking Water Infrastructure Needs Survey and Assessment, with a goal of 100% participation.

100% (111/111) of surveys were submitted to EPA.

(ST5) Administer the State's Small System Technical Assistance Fund Program with the goal of providing needed financial assistance for the planning & design costs of SRF projects contemplated by small and lower income communities.

During SFY 2008, the Authority disbursed four SSTAF grants, which totaled $58,325. All grants were for $25,000 but two were partially disbursed in SFY 2007.

(ST6) Administer the Arsenic Grant Remediation Program with the goal of providing financial assistance for compliance with the new arsenic standard to all SRF eligible public water systems that currently cannot meet the newly lowered standard.

During SFY 2008, the Authority disbursed eight Arsenic Remediation grants, which totaled $419,738.64. These grants were funded from a combination of the State Program Management Set-Aside ($82,449.77) and State Supplemental funds ($337,288.87), with the Set-Aside funds paying for planning and design and the State Supplemental funds paying for construction costs.

(ST7) Monitor DWSRF set-aside balances and expiration dates of those Capitalization Grants administered by the Indiana Department of Environmental Management (IDEM) and reconcile to EPA set-aside balances quarterly. Continue to encourage the transfer of unused balances to the DWSRF, thereby increasing our set-aside spending rate.

Set-asides balances were reconciled quarterly. The January 2008 reconciliation was the first time that IFA balances agreed with EPA (Automated System for Accounting and Purchasing) balances.

In SFY 2008, the Authority made six transfers totaling $1,683,844, in which unused Set-Aside funds were moved to the DWSRF loan fund for immediate use.

(ST8) Provide at least 15% of the DWSRF to systems serving fewer than 10,000 persons.

In SFY 2008, the Authority made five loans, two of which (40%) provided assistance to systems serving less than 10,000 persons. See Exhibit F, Summary of Closed Loans for SFY 2008.

(ST9) Work diligently with Participants and effectively manage Proposed Projects to assist Participants in closing loans and constructing their projects in a timely, efficient manner. This is accomplished by the following metries:

> (ST9a) Schedule a Project Planning Meeting with each Participant within 2 weeks of receipt of application. **In SFY 2008, average time was: 2 day.**

(ST9b) Issue a follow-up letter to each Participant within 5 days after a Project Planning Meeting. **In SFY 2008, average time was: 1 day.**

(ST9c) Perform a completeness review within 10 days of receipt of a Preliminary Engineering Report. **In SFY 2008, average time was: 2 days.**

(ST9d) Complete a technical review of each Preliminary Engineering Report in less than 45 days. **In SFY 2008, average time was: 19 days.**

(ST9e) Issue environmental review documents in less than 90 days. **In SFY 2008, average time was: 18 days.**

(ST9f) Approve bidding documents in less than 5 days. **In SFY 2008, average time was: 1 day.**

B. Long-Term Goals and Objectives

During SFY 2008, the State continues work to achieve the following long-term goals:

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

Yes. Five loans were closed with interest rates ranging from 0-3.67%. See Exhibit F, Summary of Closed Loans for SFY 2008.

(LT2) 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.

The SRF Loan Program continues to manage the investment and programmatic use of its funds to maintain its financial integrity.

(LT3) 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, to ensure the DWSRF Loan Program continues to avoid loan defaults. Require Participants to utilize Paying Agent Agreements (PAA) as warranted.

The SRF Loan Program monitors all participants. For those participants with a PAA, the SRF Loan Program monitors both the debt service reserve account and the bond and interest account on a quarterly basis. For participants without a PAA, the SRF Loan Program monitors debt service balances by requesting the balance and a copy of the Participant's bank statement.

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

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

(LT5) Monitor Participant's draw of funds to assure loans are being drawn within two years. Assure that un-drawn funds are returned to the loan pool and made available to other Participants.

The SRF Loan Program continues to monitor all Participants' use of funds. As loans are closed out and reamortized, any unused loan funds are made available to other Participants on the Project Priority List.

(LT6) Submit required reports to EPA in a well-prepared and timely manner, and ensure that EPA funds are accessed within one week of being made available to the State.

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

(LT7) Publish a quarterly SRF Loan Program newsletter.

During SFY 2008, the SRF Loan Program published four newsletters and began using a listserve to distribute more efficiently.

(LT8) Work with the other State and Federal drinking water infrastructure financing agencies to coordinate efficient and effective financing of drinking water projects.

The DW and WW Program Administrators continue to participate on the Indiana Rural Development Council's Environmental Infrastructure Working Group (EWIG), which bring State and Federal funding agencies together with communities seeking funding for infrastructure projects.

The DW and WW Program Administrators have completed the Office of Community and Rural Affairs Community Development Block Grant - Grant Administration certification, which furthers their knowledge of this agency's program.

(LT9) Develop a comprehensive database for staff to reference all information related to each SRF project.

IFA is partnering with IDEM to contract the development of a comprehensive agency tracking system, which will act as a database for SRF project information.

Exhibit B
Cumulative History of Federal Capitalization Grants

$25,371,806	FFY 1997 Federal Capitalization Grant
$8,687,500	FFY 1998 Federal Capitalization Grant
$9,105,300	FFY 1999 Federal Capitalization Grant
$8,989,850	FFY 2000 Federal Capitalization Grant
$9,159,460	FFY 2001 Federal Capitalization Grant
$8,955,100	FFY 2002 Federal Capitalization Grant
$9,398,200	FFY 2003 Federal Capitalization Grant
$9,749,300	FFY 2004 Federal Capitalization Grant
$11,201,850	FFY 2005 Federal Capitalization Grant
$12,166,734	FFY 2006 Federal Capitalization Grant
$11,484,000	FFY 2007 Federal Capitalization Grant
$ 11,367,000	FFY 2008 Federal Capitalization Grant
$135,636,100	**TOTAL**

Exhibit C
Cumulative History of State Match

$2.4 million of additional State match was deposited in the DWSRF Loan Program in SFY 2008. To date, the DWSRF State match has aggregated in excess of 20% of the awarded $135,636,100 capitalization grants through June 30, 2008, which results from the following cumulative history of State matches to the DWSRF Loan Program:

$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)
$27,265,969	TOTAL

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

As a result of the foregoing, the State has deposited State match in excess of that required based on grants awarded as of the end of SFY 2008 by $138,749 (also known as over-match), which are banked toward future capitalization grants that are expected to be awarded in SFY 2009. This over-match is intended to permit, and will allow, the State to immediately convert a portion of its next capitalization grant (expected to be awarded in FFY 2009) to cash (and deposit it in the DWSRF) based upon incurred costs during SFY 2009, and banked as a result of their not having yet been used to convert any capitalization grant to cash.

State Match has been provided from State Revolving Fund Program Bonds, the net proceeds of which are allocated between 4 distinct purposes – (1) DWSRF's State match; (2) DWSRF's leveraged loans; (3) WWSRF'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 C-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 2008.

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 C-1

DRINKING WATER

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
		2008	2007	2006	2005	2004	All Prior SFYs	
2001A	$15,680,000	1,708,775	1,431,137	1,189,396	530,310	131,828	-	$ 10,688,554
2004B	3,625,835	590,121	567,361	545,414	586,986	-	-	1,335,953
2006A	1,988,671	915,000	455,000	-	-	-	-	618,671
2006B	2,359,076	1,305,000	-	-	-	-	-	1,054,076
2007B	2,087,648	-	-	-	-	-	-	2,087,648
Total	$25,741,230	$4,518,896	$2,453,498	$1,734,810	$1,117,296	$131,828	$0	$ 15,784,902

Exhibit D to the Annual Report for SFY[1] 2008
Expeditious and Timely Use of Funds in the Indiana Finance Authority's SRF Accounts

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 2008 and will continue to be in perpetuity.

Drinking Water Purchase Account.

Sources of Funds: Funds held in this account[2] come from proceeds of Program Bonds[3] 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 2008 as well as loans anticipated to be closed in SFY 2009 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 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, 2008, the aggregate amount of closed and committed loans was less than the balance in this account. As additional loans are closed in SFY 2009, such committed amount will exceed the amount available in this account ("Excess Commitments"). The aggregate amount held in this account as of July 1, 2008 is shown in the Use Schedule. Accordingly, none of the

[1] Refers to the State Fiscal Year ending on June 30 of the year listed.

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

[3] 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 processor issuer) has issued multiple series of bonds including several refunding series (the "Program Bonds"), a portion of which are issued for the DWSRF. An allocated portion of the Program Bonds were deposited in the Purchase Account (with such bonds being referred to as the "Guarantee Revenue Bonds" in this Report) to make loans from the DWSRF and a further allocated portion of the Program Bonds were deposited in the Purchase Account (or the former State Match Loan Account) as state match (with such bonds being referred to as the "State Match Revenue Bonds" in this Report) to make loans or for other permitted purposes; their proceeds (together with other match sources) have matched all capitalization grants awarded to date as well as a portion of the not-yet-available FFY 2009 (FFY refers to the Federal Fiscal Year ending September 30 of the year listed) grant by reason of over-match.

funds presently on deposit in this account are available for other SRF purposes except to finance closed and committed loans related to qualified Proposed Projects.

Drinking Water Participant Loan Principal Account.

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

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

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

Drinking Water Participant Loan Interest Account.

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

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

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

DRINKING WATER RESERVE[4] contains the following accounts:

[4] 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 serving 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, amount 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.

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

Available Balance: Approximately annually, this account is fully depleted to make payments on Program Bonds, with any excess available balances to be transferred to the Reserve Deficiency Account. Accordingly, none of the funds presently on deposit[5] in this account are available for other SRF purposes.

Drinking Water Reserve Grant Account.

Sources of Funds: Funds held in this account[6] 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.[7]

Uses of Funds: These funds are used (i) as security[8] 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 Program by making financing for qualified Proposed Projects that facilitate compliance with the Safe Drinking Water Act and protect public health.

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[5] And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

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

[7] 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, 2008, 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.

[8] Pursuant to the financing indentures related to the cross-collateralized outstanding Program Bonds, the Authority is presently required to maintain reserves of at least $637.9 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 IUP (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 2009 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.

Available Balance: The aggregate amount held in this account (as of July 1, 2008 and as anticipated in SFY 2009) is shown in the Use Schedule.[9] 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 long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

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 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, 2008 nor are any so anticipated in SFY 2009.

DRINKING WATER EQUITY[10] contains the following accounts:

[9] And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

[10] 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.

Drinking Water Equity Grant Account.

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

Uses of Funds: These funds are used (i) as security[11] and as a source of payment for the outstanding Guarantee Revenue Bonds as permitted by 40 CFR 35.3525(c), (ii) to fund any transfers to the Authority's WWSRF as permitted by law including Section 302 of the Safe Drinking Water Act, and (iii) to fund that portion of any loans closed but not presently on deposit in the Purchase Account[12] 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 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, 2008 and as anticipated in SFY 2009) is shown in the Use Schedule.[13] 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 long-term high-quality investment contracts (the "Investment Agreements"). The Investment Agreements (a) pay interest semi-annually serving as a source of payment for the outstanding Guarantee Revenue Bonds and outstanding State Match Revenue Bonds, (b) mature and may be terminated at the Authority's option as set forth in the attached Schedule 2, and (c) are available in full (as security) at any time if needed to pay the outstanding Guarantee Revenue Bonds.

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.

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[11] 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 2009 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, 2008.

[12] In addition to meeting any Excess Commitments as of July 1, 2008, 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, 2008, (b) PERs submitted and under review by the DWSRF as of July 1, 2008 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2009), each as detailed in the Use Schedule.

[13] And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

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, 2008 is shown in the Use Schedule.[14]

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 Program 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 Program loan is closed. As of July 1, 2008, there were no Excess Commitments. By closing new loans for qualified Proposed Projects with (a) approved PERs as of July 1, 2008, (b) PERs submitted and under review by the DWSRF as of July 1, 2008 and (c) additional PERs to be submitted (including as set in the new PPL in SFY 2009), 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 2009. 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 2009) in the event additional Guarantee Revenue Bonds could not to be issued.

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 2009 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF 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

[14] And before any transfers to the WWSRF as discussed elsewhere in this Exhibit.

35.3550(g)(3). In addition to this use, a portion of these funds are held to meet (a) Excess Commitments in SFY 2009 in the event additional Guarantee Revenue Bonds could not to be issued and (b) any transfers to the WWSRF as permitted by law.

Use of Available Balances to Possibly Transfer Funds to the Wastewater SRF. As of July 1, 2008, about $23.6 million has been transferred to DWSRF. As of July 1, 2008, the cumulative transfer amount available for additional transfers from CWSRF to the DWSRF could result in up to $44.76 million of allowable transfers which includes 33% of the FFY 2008 grant. The full amount of any such potential transfers is banked.

Further, transfers can be made from DWSRF to the WWSRF up to the cumulative amount made from WWSRF 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 (a) one or more of the Authority's Investment Agreements or (b) other 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 WWSRF program is more in need of funds (when considering their respective priorities) than the other. While a transfer from DWSRF to the WWSRF is not expected, it is also banked to reserve the Authority's discretion.

SCHEDULE D-2
SRF INVESTMENT AGREEMENTS

Funds held in the Reserve Grant Account and certain other accounts are invested in the following Investment Agreements which mature, and may be terminated at the Authority's option only, as follows:

Investment Agreement with:	Final Maturity Date[15]	Optional Termination Date[16]	Scheduled Repayments of Invested Amounts[17]
AIG Matched Funding Corp., Dated, September 29, 1998	2/1/20	2/1/10	$1 to $6 million
Citigroup Global Company Inc., Dated, February 13, 2006	8/1/16	Any time	$1 to $5 million
Trinity Plus Funding Company, LLC, Dated January 9, 2001	8/1/23	8/1/08	$0.1 to $18 million
AIG Matched Funding Corp., Dated, November 14, 2001	2/1/23	N/A	$1 to $10 million
AIG Matched Funding Corp., Dated, December 27, 2002	2/1/24	N/A	$1 to $2 million
Trinity Plus Funding Company, LLC, Dated March 21, 2006	2/1/29	N/A	$3 to $10 million
FSA Capital Management Services LLC, Dated June 19, 2007	2/1/27	N/A	$-0- to $0.5 million

The Authority has structured these Investment Agreements in a manner to assure as great as flexibility as practical to serve the variety of needs required by the SRF. The long-term nature of these investments assures long-term access to quality investment sources and, thereby, balances revenue certainty against known debt obligations associated with Program Bonds. This fosters the ability to issue additional Program Bonds to fund a prudent, maximum level of leveraged loans. Further, repayment features are consistent with the reserve purposes associated with most of these invested funds. These optional termination dates and scheduled repayment features associated with the Investment Agreements, in total, assure access to invested balances at reasonable intervals and are expected to facilitate future leveraged bond issues. However, it also to be understood that this restricts the SRF Program's ability to make use of these invested sums for other purpose (including certain of those uses recited elsewhere in this Exhibit) without negotiating different termination provisions which could result in a charged losses upon any such alternate termination depending upon market conditions and other factors.

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[15] If not repaid sooner, all invested sums are required to be repaid to the Authority by this date.

[16] On or after this date, the Authority may terminate the investment at its option and all invested sums will then be required to be repaid to the Authority without any premium (or other market to market payment).

[17] Each February 1 (except for the 2000 & the first 2001 Investment Agreements, which is each August 1), commencing in 2008 (except for the first 2001 Investment Agreements, which is 2019), a portion of the invested sums is required to repaid annually to the Authority. These annual amounts are set out in a schedule to each agreement and range within the amounts shown in this column.

Schedule 1
to Exhibit D for the DW Annual Report (SFY 2008)

	Account Balances* as of: 30-Jun-2008 (Actual)	Future Deposits in SFY
A. Funds Committed to Projects by DWSRF		
Purchase Account	$ 30,900,000	$ -
	$ 30,900,000	$ -
B. Other Funds Held in DWSRF		
Reserve Grant Account	$ 114,100,000	$ -
Reserve Earnings Account	4,300,000	-
Reserve Deficiency Account	-	
Equity Grant Account	29,600,000	$ 22,300,000
Equity Earnings Account	400,000	-
	$ 148,400,000	$ 22,300,000
Total Available Funds (A. and B. above)	$ 179,300,000	$ 22,300,000

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

Closed Loan (Undrawn loan amounts covered by on-hand Purchase A/C Funds)		$ 30,900,000
Closed Loan Excess Commitments (after Application of above Purchase A/C)		-
Closed Loan to be funded directly from Equity (undrawn portion of loan)		6,900,000
PERs In-house (approved & under-review) Awaiting Loan Closing		71,900,000
Other Projects on new SFY's PPL Requesting Loan Funding		36,300,000
*1. Use: to cover Loan Demand***		146,000,000
2. Use: to cover Series Reserve Requirement		117,800,000
Possible Uses of Funds (1 & 2 above without considering other secondary purposes for holding them in the DWSRF) # are as follows:		$ 263,800,000
Uses of Funds (1 & 2 above):		$ 263,800,000
Less: Total Available Funds (A. and B. above)		201,600,000
Amount by which "*Possible Uses of Funds*" EXCEED "*Total Available Funds*"		$ 62,200,000

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 E

SFY 2008 DWSRF Loan Program Quarterly Interest Rates

State Fiscal Year (SFY) By Quarter (Qtr)	User Rates (Over $45)	User Rates ($25 to $45)	User Rates (Under $25)
Tier III (MHI: under $33,669)			
1st Qtr SFY 2008	2.67%	2.92%	3.42%
2nd Qtr SFY 2008	2.67%	2.92%	3.42%
3rd Qtr SFY 2008	2.56%	2.81%	3.31%
4th Qtr SFY 2008	3.03%	3.28%	3.78%
Tier II (MHI: $33,670 to $41,566)			
1st Qtr SFY 2008	2.92%	3.17%	3.67%
2nd Qtr SFY 2008	2.92%	3.17%	3.67%
3rd Qtr SFY 2008	2.81%	3.06%	3.56%
4th Qtr SFY 2008	3.28%	3.53%	4.03%
Tier I (MHI: over $41,567)			
1st Qtr SFY 2008	3.17%	3.42%	3.92%
2nd Qtr SFY 2008	3.17%	3.42%	3.92%
3rd Qtr SFY 2008	3.06%	3.31%	3.81%
4th Qtr SFY 2008	3.53%	3.78%	4.28%

Up to an additional .50% reduction is possible if a non-point source project is financed along with a point source project.
An additional .25% increase is also possible if a loan is determined to have a long weighted average loan life.
The SRF Pooled Program Participants receive the "AAA" interest rate that is available to the SRF Program at the time of their loan closing.

Exhibit F
Summary of Closed Loans for SFY 2008

Closing Date	Participant	County	Population	Loan Amount	Estimated Open Market Interest Rate	Estimated Open Market Principle & Interest	SRF Interest Rate	SRF Principle & Interest	SRF Savings
8/30/2007	Dupont Water Company	Jefferson	3,132	$2,448,000	5.50%	$4,096,940	3.17%	$3,342,822	$754,118
9/28/2007	Greensburg	Decatur	11,500	$7,880,000	5.00%	$12,646,232	0.00%	$7,880,000	$4,766,232
12/28/2007	Martinsville	Morgan	15,000	$9,865,000	5.27%	$16,196,320	3.67%	$14,096,638	$2,099,682
12/28/2007	Rosedale	Parke	825	$259,000	5.27%	$425,225	3.42%	$361,837	$63,388
1/15/2008	Edwardsville Water Company	Floyd	10,098	$1,565,000	5.27%	$2,569,411	3.31%	$2,164,610	$404,801

Total Loans Closed $22,017,000 **Total Savings $8,088,221**

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

COMBINED FINANCIAL STATEMENTS

June 30, 2008 and 2007

KATZ, SAPPER & MILLER
Certified Public Accountants

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

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Independent Auditors' Report

Board of Directors of the Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the accompanying combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the years ended June 30, 2008 and 2007, presented on pages 8 - 31. These combined financial statements are the responsibility of the Programs' management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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.

As discussed in Note 1, the financial statements present only the State Revolving Fund Loan Programs, an enterprise fund, and do not purport to, and do not, present fairly the financial position of the Indiana Finance Authority, as of June 30, 2008 and 2007, and the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the State Revolving Fund Loan Programs at June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis presented on pages 3-7 is not a required part of the basic combined financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2008, on our consideration of the 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 29, 2008

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")
June 30, 2008

As management of the State Revolving Fund Loan Programs (SRF Programs), we offer readers of the SRF Programs' combined financial statements this narrative overview of Management's Discussion and Analysis (MD&A) of the financial activities of the SRF Programs for the fiscal year ended June 30, 2008. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

Financial Highlights: The SRF Programs' total net assets increased by $46.4 million during the current fiscal year from $822.3 million to $868.7 million. Of this amount, $30 million consists of capital contributions (grants) from the U.S. Environmental Protection Agency. All of these net assets are restricted for water pollution and drinking water projects and related program purposes.

The SRF Programs' debt decreased by $1.4 million during the current fiscal year. The net decrease in debt is the result of scheduled principal payments totaling $62.2 million and cash defeasance of 2000A bonds totaling $33.7 million, offset by proceeds of $94.5 million related to the issuance of new Series 2007B bonds.

The SRF Programs disbursed $269.4 million to participants during the current year to fund wastewater and drinking water infrastructure project expenses. Loan commitments can be found in Note 3 to the combined financial statements on page 17 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.

The SRF Programs' basic combined financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and the notes to the financial statements. These combined financial statements can be found on pages 8-10 of this report and are summarized below:

- The *combined statements of net assets* present information on all of the SRF Programs' assets and liabilities, with the difference between the two reported as net assets.

- The *combined statements of revenues, expenses and changes in net assets* present information showing how the SRF Programs' net assets changed during each year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

- In contrast, the *combined statements of cash flows* are concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

The Report also contains other supplementary information in addition to the basic combined financial statements themselves.

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements. The notes to the combined financial statements can be found on pages 11-31 of this report.

In addition to the basic combined financial statements and accompanying notes, this report also presents combining schedules on pages 33-35. 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.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the government enterprise's financial position. In the case of the SRF Programs, assets exceeded liabilities by $868.7 million at the close of the most recent fiscal year.

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

	June 30, 2008	2007	2006
Current assets	$ 442,990	$ 596,690	$ 739,384
Noncurrent assets	2,257,960	2,055,030	1,683,102
Total Assets	2,700,950	2,651,720	2,422,486
Current liabilities	105,176	105,295	90,916
Long-term liabilities	1,727,037	1,724,123	1,569,321
Total Liabilities	1,832,213	1,829,418	1,660,237
Net Assets			
Restricted	868,737	822,302	762,249
Total Net Assets	$ 868,737	$ 822,302	$ 762,249

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

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

	Years Ended June 30, 2008	2007	2006
Operating Revenues			
Interest-investments	$ 54,154	$ 62,712	$ 60,573
Interest-participants	52,862	43,767	36,992
Other	479	731	501
Total Operating Revenues	107,495	107,210	98,066
Operating Expenses			
Interest	88,194	80,814	69,301
Amortization of deferred charges	1,177	1,168	1,014
Trustee fees	109	320	999
Other program and administrative	1,591	1,837	1,620
Total Operating Expenses	91,071	84,139	72,934
Operating Income	16,424	23,071	25,132
Capital Contributions (EPA Grants)	30,011	36,982	33,283
Increase in Net Assets	46,435	60,053	58,415
Net Assets:			
Beginning of Year	822,302	762,249	703,834
End of Year	$ 868,737	$ 822,302	$ 762,249

The SRF Programs' net assets increased by $46.4 million during the current fiscal year. Key elements of this increase are as follows:

- The SRF Programs received $30 million in capital contributions (grants) from EPA on qualified wastewater and drinking water projects and related program purposes.
- Interest income on investments and loans exceeded operating expenses by $16 million.

DEBT ADMINISTRATION

Long-term Debt: At the end of the current fiscal year, the SRF Programs' debt, net of premium/discount and unamortized loss on refunding, was $1.79 billion. The amount due represents bonds issued solely for the State Revolving Fund Loan Programs. For the comparative financial statements for the years ended June 30, 2008 and 2007, such are reported as bonds payable of the SRF Programs.

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

	Years Ended June 30,		
	2008	2007	2006
Net Bond Indebtedness	$ 1,789,657	$ 1,791,021	$ 1,629,658

The SRF Programs' debt decreased by $1.4 million during the current fiscal year. The net decrease in debt is the result of scheduled principal payments totaling $62.2 million and cash defeasance of 2000A bonds totaling $33.7 million, offset by proceeds of $94.5 million related to the issuance of new Series 2007B 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 21-30 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 State Revolving Fund Wastewater and Drinking Water Loan Programs, 100 N. Senate Avenue, Room 1275, IGCN – 12th Floor, Indianapolis, IN 46204.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF NET ASSETS
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets:		
Cash and equivalents	$ 327,044,359	$ 463,526,882
Interest receivable	33,468,327	30,500,812
Due from EPA	11,177,225	36,588,816
Loans receivable	71,300,293	66,073,269
Total Current Assets	442,990,204	596,689,779
Noncurrent Assets:		
Investments	670,552,757	636,309,266
Loans receivable	1,578,146,387	1,388,894,252
Equipment, net	29,982	11,157
Deferred charges, net	9,231,137	9,815,253
Total Noncurrent Assets	2,257,960,263	2,055,029,928
Total Assets	2,700,950,467	2,651,719,707
LIABILITIES		
Current Liabilities:		
Interest payable	35,889,548	35,592,922
Accounts payable	316,202	227,398
Bonds payable-current, net	68,970,000	69,475,000
Total Current Liabilities	105,175,750	105,295,320
Long-term Liabilities:		
Amount due to federal government	6,351,215	2,577,248
Bonds payable, net	1,720,686,523	1,721,545,562
Total Long-term Liabilities	1,727,037,738	1,724,122,810
Total Liabilities	1,832,213,488	1,829,418,130
NET ASSETS		
Restricted for water pollution and drinking water projects and other related program purposes	$ 868,736,979	$ 822,301,577

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2008 and 2007

	2008	2007
OPERATING REVENUE		
Interest income-investments	$ 54,154,469	$ 62,711,670
Interest income-loan participants	52,861,795	43,767,242
Other	479,136	730,636
Total Operating Revenue	107,495,400	107,209,548
OPERATING EXPENSES		
Interest	88,194,230	80,813,864
Amortization of deferred charges	1,177,383	1,167,790
Trustee fees	108,449	320,600
Other program and administrative	1,590,872	1,837,166
Total Operating Expenses	91,070,934	84,139,420
OPERATING INCOME	16,424,466	23,070,128
CAPITAL CONTRIBUTIONS	30,010,936	36,982,225
INCREASE IN NET ASSETS	46,435,402	60,052,353
NET ASSETS		
Beginning of Year	822,301,577	762,249,224
End of Year	$ 868,736,979	$ 822,301,577

See accompanying notes.

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash payments for salaries, administrative and other expenses	$ (1,162,382)	$ (1,457,943)
Administration fee	31,001	38,000
Net Cash (Used) by Operating Activities	(1,131,381)	(1,419,943)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of loans to participants	74,881,579	59,173,050
Issuance of loans to participants	(269,360,738)	(355,512,908)
Change in investments	(14,243,491)	(86,524,442)
Interest received on loans and investments	104,048,749	104,846,500
Purchase of capital assets	(24,120)	(11,157)
Net Cash (Used) by Investing Activities	(104,698,021)	(278,028,957)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuance	94,530,000	214,160,000
Principal payments to reduce indebtedness including refunding	(95,888,744)	(52,797,565)
Payment of debt issuance costs, net of refunding	(593,267)	(1,593,606)
Change in amount due to federal government	3,773,967	2,244,248
Interest paid on	(87,897,604)	(75,246,881)
Net Cash Provided (Used) by Non-Capital Financing Activities	(86,075,648)	86,766,196
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital contributions (EPA grants)	55,422,527	31,886,304
Net Cash Provided by Capital Financing Activities	55,422,527	31,886,304
NET DECREASE IN CASH AND EQUIVALENTS	(136,482,523)	(160,796,400)
CASH AND EQUIVALENTS		
Beginning of Year	463,526,882	624,323,282
End of	$ 327,044,359	$ 463,526,882
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating income	$ 16,424,466	$ 23,070,128
Adjustments to reconcile operating income to net cash used by operating activities:		
Interest income	(107,016,264)	(106,478,912)
Interest expense	88,194,230	80,813,864
Amortization of deferred charges	1,177,383	1,167,790
Changes in assets and liabilities:		
Accounts payable	88,804	7,187
Net Cash (Used) by Operating Activities	$ (1,131,381)	$ (1,419,943)

See accompanying

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Basis of Presentation and Accounting: The 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 State Revolving Fund Loan Programs recognize revenues in the period earned and expenses in the period incurred. Financial transactions are reported as business-type activities.

The SRF Programs follow the accounting rules promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the SRF Programs follow all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless pronouncements conflict with or contradict GASB Statements.

The Wastewater State Revolving Fund Loan Program and Drinking Water State Revolving Fund Loan Program: The federal Water Quality Act of 1987 as amended in 1996 authorized the United States Environmental Protection Agency (EPA) to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State of Indiana (State) originally established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State also has established a public drinking water system program to provide financial assistance for eligible projects. Financial assistance includes making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems.

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. For the comparative financial statements for the years ended June 30, 2008 and 2007, such are reported as the Authority's assets and liabilities related to the SRF Programs.

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

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

If necessary, the capitalization grants are deposited into the SRF Program accounts and are available to pay scheduled debt service on the Revenue Bonds. SRF Program participant loan repayments and interest earned on the SRF Program investments is used to meet the debt service obligations for the Revenue Bonds. States are required to provide an additional 20 percent of the federal capitalization grant as matching funds in order to receive a grant. SRF Program matching funds have been provided through the issuance of revenue bonds payable and from 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.

The Indiana Bond Bank, on behalf of the SRF Programs, issued Series 1997A, 1998A, 2000A, 2000B, 2001A, 2002A, 2002B, 2004A, 2004B and 2004C Bonds, which by operation of law effective May 15, 2005, such liabilities of the SRF Programs became the liabilities of the Authority instead of the Indiana Bond Bank. Additionally, the Authority issued Series 2005A, 2006A, 2006B, 2007A and 2007B Bonds in respect of the SRF Programs. Such liabilities are summarized in Note 8 and are secured by a common trust estate supported in part by participant loan repayments.

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 the estimates that were used.

Restricted Net Assets: Restricted net assets are available for providing financial assistance related to water pollution control and drinking water projects and other SRF Program purposes.

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

Investments: Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2008 and 2007, fair value approximates cost. Changes in the fair value of investments are included in the combined statement of revenues, expenses and changes in net assets.

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

NOTE 2 - CASH AND INVESTMENTS

All cash and investments are held by, or in the name of, The Bank of New York Trust Company, N.A., as trustee under certain indentures of trusts (Trust Indentures) pertaining to the SRF Programs and the bonds issued in connection with the SRF Programs. Pursuant to enabling statues, 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.

For investments at June 30, 2008 and 2007, fair value approximates cost. A summary of cash and investments as of June 30, 2008 and 2007 follows:

	2008		
	Wastewater	Drinking Water	Total
Money market funds	$ 248,380,973	$ 64,699,317	$ 313,080,290
Guaranteed investment contracts	534,374,767	103,447,719	637,822,486
Government obligations	30,345,809	16,348,531	46,694,340
	$ 813,101,549	$ 184,495,567	$ 997,597,116

	2007		
	Wastewater	Drinking Water	Total
Money market funds	$ 407,331,366	$ 56,195,516	$ 463,526,882
Guaranteed investment contracts	540,927,400	108,092,866	649,020,266
Government obligations	1,639,000	5,650,000	7,289,000
	$ 949,897,766	$ 169,938,382	$1,119,836,148

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment Type and Interest Rate Risk Disclosure: As of June 30, 2008, the SRF Programs had the following investments and maturities (amounts are in thousands):

	Wastewater Investment Maturities (in years)				
	Fair Value	< 1	1 - 6	6 - 10	> 10
Money market funds	$ 248,381	$ 248,381	$ -	$ -	$ -
Guaranteed investment contracts	534,375	8,939	57,924	202,796	264,716
Government obligations	30,346	24	2,625	4,521	23,176
	$ 813,102	$ 257,344	$ 60,549	$ 207,317	$ 287,892

	Drinking Water Investment Maturities (in years)				
	Fair Value	< 1	1 - 6	6 - 10	> 10
Money market funds	$ 64,699	$ 64,699	$ -	$ -	$ -
Guaranteed investment contracts	103,448	4,991	26,585	27,495	44,377
Government obligations	16,349	10	2,057	7,674	6,608
	$ 184,496	$ 69,700	$ 28,642	$ 35,169	$ 50,985

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, excluding obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government at June 30, 2008:

	S&P	Fitch	Moody's	Fair Value
Money market funds	AAAm	AAA/V-1+	Aaa	$ 313,080
Guaranteed investment contracts	AAA	AAA	Aaa	97,180
	AAA	unrated	unrated	153,740
	AA-	Aa3	unrated	354,792
	AA-	unrated	unrated	32,111
Government obligations	AAA	AAA	Aaa	46,694
Total Rated Investments				$ 997,597

NOTE 2 - CASH 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 perfect security interest in the same. Such government securities are either issued or guaranteed by the United States Government, including United States Treasury obligations and any other obligations the timely payment of principal and interest of which are guaranteed by the United States 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 of America, 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 Program places no limit on the amount the SRF Programs may invest in any one issuer. The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2008:

Dreyfus Cash Management CI A Fd 288	31%
AIG Matched Funding Corp. GIC	28%
FSA Capital Management GIC	10%
Trinity Plus Funding Company, LLC GIC	15%
AIG Financial Products Corp GIC	7.5%

NOTE 3 - LOANS RECEIVABLE

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

The loans receivable balance at June 30, 2008 and 2007 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, 2008	Loans Receivable as of June 30, 2007	Actual Loan Available Less Principal Repayments as of June 30, 2008
Wastewater Fund	$ 1,396,332,029	$ 1,219,674,122	$ 1,504,241,626
Drinking Water Fund	253,114,651	235,293,399	272,518,459
Total All Loans	$ 1,649,446,680	$ 1,454,967,521	$ 1,776,760,085

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 $71,300,293 at June 30, 2008 and $66,073,269 at June 30, 2007.

NOTE 3 - LOANS RECEIVABLE (Continued)

As of June 30, 2008, 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, 2008	Loans Receivable as of June 30, 2007	Actual Loan Available Less Principal Repayments as of June 30, 2008
Wastewater Fund			
City of Indianapolis	$397,208,371	$279,133,530	$440,306,000
City of Fort Wayne	53,663,708	44,837,726	57,153,000
City of Lafayette	56,572,080	60,962,080	56,572,080
City of Evansville	52,906,510	55,892,510	52,906,510
City of Hammond	45,809,935	45,242,304	45,810,000
City of West Lafayette	30,608,464	27,779,807	41,545,000
City of Mishawaka	37,467,968	36,394,224	39,784,000
City of New Albany	36,682,000	37,799,000	36,682,000
Drinking Water Fund			
City of Fort Wayne	30,355,000	31,900,000	30,355,000
City of Bloomington	21,185,000	21,680,000	21,185,000
City of Mishawaka	18,427,271	19,482,271	18,520,000
City of East Chicago	17,680,000	18,290,000	17,680,000
City of Greensburg	8,929,684	-	15,000,000
City of Jasper	11,302,000	11,974,000	11,302,000
City of Martinsville	5,959,322	-	9,865,000
City of Huntingburg	6,439,000	6,808,000	6,439,000
Town of Syracuse	5,999,606	4,284,420	6,318,000
City of Michigan City	6,159,916	6,214,916	6,159,916

NOTE 4 - INTEREST RECEIVABLE

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

Interest receivable at June 30, 2008:

	Investments	Loans	Total
Wastewater	$ 13,798,298	$ 15,454,762	$ 29,253,060
Drinking Water	2,543,693	1,671,574	4,215,267
	$ 16,341,991	$ 17,126,336	$ 33,468,327

Interest receivable at June 30, 2007:

	Investments	Loans	Total
Wastewater	$ 13,296,924	$ 13,130,810	$ 26,427,734
Drinking Water	2,483,859	1,589,219	4,073,078
	$ 15,780,783	$ 14,720,029	$ 30,500,812

NOTE 5 - DEFERRED CHARGES, NET

Deferred charges represent bond issuance costs which are being amortized using the interest method over the life of the related bond issue. Accumulated amortization was $7,583,492 and $6,406,109 at June 30, 2008 and 2007, respectively. The net unamortized deferred charges were $9,231,137 and $9,815,253 at June 30, 2008 and 2007, respectively. Future amortization of deferred charges is as follows:

June 30, 2009	$ 1,086,253
June 30, 2010	1,001,093
June 30, 2011	921,067
June 30, 2012	841,425
June 30, 2013	781,907
Thereafter	4,599,392
	$ 9,231,137

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

Several series of bonds issued by the Indiana Bond Bank, succeeded by the Authority, in connection with the SRF Programs were the subject of legal opinions as of the date of their issuance to the effect that interest on such bonds was excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Under the Code, such exclusion is conditioned on continuing compliance with certain tax covenants including payment of certain earnings in excess of the bond yield to the U.S. Treasury as rebate or yield reduction payments. The estimated liabilities, which were calculated as of January 31, 2008, are recorded in the general long-term debt account group. With respect to such bonds, as of June 30, 2008, the SRF Programs had the following liabilities:

	Yield Reduction	Due Date
2000A		
Wastewater Fund	$ 697,180	January 31, 2010
Drinking Water Fund	121,972	January 31, 2010
2005A		
Wastewater Fund	250,590	January 31, 2010
Drinking Water Fund	98,130	January 31, 2010
2006A		
Wastewater Fund	3,879,935	January 31, 2011
Drinking Water Fund	335,095	January 31, 2011
2006B		
Wastewater Fund	763,805	January 31, 2011
Drinking Water Fund	204,508	January 31, 2011
	$ 6,351,215	

NOTE 7 – BONDS PAYABLE

Bonds payable at June 30, 2008 and 2007 for bonds issued on behalf of the SRF Programs are summarized as follows:

	2008	2007
Wastewater Fund:		
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of $94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, $66,305,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	$ 66,305,000	$ -
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of $71,230,000, maturing from February 1, 2008 to February 1, 2025 at interest rates ranging from 4.00% to 5.00%. Of this, $61,255,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	61,255,000	61,255,000
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of $142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, $112,745,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	112,560,000	112,745,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of $221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, $203,760,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	188,795,000	197,740,000

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of $277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, $197,950,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program.	$ 195,930,000	$ 197,160,000
Series 2004A Refunding Bonds issued April 7, 2004 for the aggregate amount of $113,115,000 to refund the callable portion of the Series 1994A and 1995A Bonds, maturing from February 1, 2005 to February 1, 2012 at interest rates ranging from 1.74% to 3.98%.	58,540,000	73,085,000
Series 2004B Bonds issued April 7, 2004 for the aggregate amounts of $200,000,000, maturing from February 1, 2005 to February 1, 2025 at interest rates ranging from 2.00% to 5.00%. Of this amount, $167,480,000 was the final allocation to the WSRF program based upon the percentage of original bond proceeds allocated to each program.	155,691,351	158,731,230
Series 2004C Bonds issued June 23, 2004 for the aggregate amount of $200,000,000, maturing serially through February 1, 2027 at interest rates ranging from 5.00% to 5.25%.	183,770,000	189,445,000
Series 2002A Refunding Bonds issued December 23, 2002 for the aggregate amount of $75,070,000 to refund the callable portion of the Series 1993A Bonds, maturing from February 1, 2004 to February 1, 2013 at interest rates ranging from 1.86% to 4.84%.	38,045,000	46,315,000

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 2002B Bonds issued December 23, 2002 for the aggregate amount of $66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates from 4.00% to 5.375%. Of this amount, $52,422,270 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, $3,775,000 was refunded. The remaining $48,647,003 maturing from February 1, 2013 to February 1, 2024.	$ 48,647,003	$ 48,647,003
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of $400,000,000, maturing from August 1, 2003 to February 1, 2023 at interest rates from 3.5% to 5.5%. Of this amount, $320,104,000 was allocated to the WSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, $2,885,000 was refunded. The remaining $312,705,534 maturing from February 1, 2006 to February 1, 2023.	300,125,446	306,971,671
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of $100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates from 5.00% to 5.35%. Of this amount, $69,950,000 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $55,244,542 was refunded. The remaining $14,706,730 maturing from August 1, 2006 to August 1, 2023.	14,706,730	14,706,730
Series 2000A Bonds issued April 25, 2000 for the aggregate amount of $143,590,000, maturing serially through August 1, 2022 at interest rates from 4.75% to 5.875%. Of this amount, $122,197,429 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $74,273,678 was refunded. In March 2008, $24,446,985 was refunded.	-	28,638,505

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of $90,000,000, maturing serially through February 1, 2020 at interest rates from 4.00% to 5.00%. Of this amount, $67,750,534 was allocated to the WSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $25,983,504 was refunded. The remaining $32,964,994 maturing from February 1, 2006 to February 1, 2020.	$ 27,330,408	$ 30,228,625
Series 1997A Bonds issued September 1, 1997 for the aggregate amount of $85,000,000, maturing serially through February 1, 2019 at interest rates from 4.50% to 6.00%. In December 2005, $62,425,000 was refunded. The remaining $14,410,000 maturing from February 1, 2007 to February 1, 2010.	7,905,000	11,475,000
Subtotal-Wastewater	1,459,605,938	1,477,143,764
Drinking Water Fund:		
Series 2007B Bonds issued December 13, 2007 for the aggregate amount of $94,530,000, maturing from February 1, 2010 to February 1, 2028 at interest rates ranging from 4.00% to 5.50%. Of this, $28,225,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	28,225,000	-
Series 2007A Bonds issued May 30, 2007 for the aggregate amount of $71,230,000, maturing from February 1, 2008 to February 1, 2025 at interest rates ranging from 4.00% to 5.00%. Of this, $9,975,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	9,630,000	9,975,000

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 2006B Bonds issued December 13, 2006 for the aggregate amount of $142,930,000, maturing from February 1, 2008 to February 1, 2028 at interest rates ranging from 3.50% to 5.50%. Of this, $30,185,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	$ 28,880,000	$ 30,185,000
Series 2006A Bonds issued April 25, 2006 for the aggregate amounts of $221,355,000, maturing from February 1, 2007 to February 1, 2027 at interest rates ranging from 3.60% to 5.25%. Of this, $17,595,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	16,225,000	17,140,000
Series 2005A Refunding Bonds issued December 7, 2005 for the aggregate amount of $277,930,000 to refund the callable portion of Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds, maturing from February 1, 2006 to February 1, 2029 at interest rates ranging from 3.30% to 5.25%. Of this, $77,535,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program.	70,140,000	73,670,000
Series 2004B Bonds issued April 7, 2004 for aggregate amount of $200,000,000, maturing from February 1, 2005 to February 1, 2012 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.	30,223,649	30,813,770

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 2002B Bonds issued December 23, 2004 for the aggregate amount of $66,695,000, maturing from February 1, 2013 to February 1, 2024 at interest rates from 4.00% to 5.375%. Of this amount, $14,272,730 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, $2,165,000 was refunded. The remaining $12,107,997 maturing from February 1, 2013 to February 1, 2024.	$ 12,107,997	$ 12,107,997
Series 2001A Bonds issued October 24, 2001 for the aggregate amount of $400,000,000, maturing from August 1, 2003 to February 1, 2023 at interest rates from 3.5% to 5.5%. Of this amount, $79,896,000 was allocated to the DWSRF Program based upon the percentage of original bond proceeds allocated to each program. In December 2005, $16,600,000 was refunded. The remaining $61,444,466 maturing from February 1, 2006 to February 1, 2023.	58,304,554	60,013,329
Series 2000B Bonds issued January 9, 2001 for the aggregate amount of $100,000,000, maturing August 1, 2019 to August 1, 2023 at interest rates from 5.00% to 5.35%. Of this amount, $30,050,000 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $17,100,458 was refunded. The remaining $12,948,270 maturing from August 1, 2006 to August 1, 2023.	12,948,270	12,948,270
Series 2000A Bonds issued April 25, 2000 for the aggregate of $143,590,00, maturing serially through August 1, 2022 at interest rates from 4.75% to 5.875%. Of this amount, $21,392,571 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $13,006,322 was refunded. In March 2008, $4,278,015 was refunded.	-	3,011,495

NOTE 7 – BONDS PAYABLE (Continued)

	2008	2007
Series 1998A Bonds issued September 1, 1998 for the aggregate amount of $90,000,000, maturing serially through February 1, 2020 at interest rates from 4.00% to 5.00%. Of this amount, $22,249,466 was allocated to the DWSRF Program based upon the percentage of the original bond proceeds allocated to each program. In December 2005, $10,421,496 was refunded. The remaining $8,145,006 maturing from February 1, 2006 to February 1, 2020.	$ 6,294,592	$ 7,246,375
Subtotal-Drinking Water	272,979,062	259,111,236
Total Principal	1,732,585,000	1,736,255,000
Loss on refunding	(9,975,217)	(13,456,923)
Net premium (discount) on bonds payable	67,046,740	68,222,485
Total Bonds Payable	1,789,656,523	1,791,020,562
Less: Current portion	68,970,000	69,475,000
Long-Term Portion	$ 1,720,686,523	$ 1,721,545,562

In December 2005, the Authority issued Series 2005A Refunding Bonds for the aggregate amount of $277,930,000, which included $258,815,000 of refunding debt and $19,115,000 of new money debt. The refunding was undertaken to reduce total future debt service payments. As a result of the refunding, an economic gain or present value savings of $13.8 million was realized and a reduction of $75.2 million in future debt service payments. The refunding debt was used to refund in advance of their stated maturity dates portions of the Series 1997A, 1998A, 2000A, 2000B, 2001A, and 2002B Bonds. A portion of the proceeds, $302,453,645, was deposited in an escrow fund which will pay principal and interest for the defeased debt. The outstanding amount of refunded debt at June 30, 2008 was $182,165,000.

In March 2008, the Authority cash defeased the remaining maturities of the Series 2000A Bonds. A cash deposit of $30,585,073 was made to an escrow fund, which will pay principal and interest for the defeased debt. The outstanding amount of refunded debt at June 30, 2008 was $28,725,000.

NOTE 7 – BONDS PAYABLE (Continued)

The aggregate debt service requirements for all bonds allocable to the SRF Programs as of June 30, 2008, are as follows:

	Principal			Interest			
	Wastewater Fund	Drinking Water Fund	Total	Wastewater Fund	Drinking Water Fund	Total	Debt Service Total
2009	$ 59,005,606	$ 9,964,394	$ 68,970,000	$ 72,408,216	$ 13,597,822	$ 86,006,038	$ 154,976,038
2010	67,001,854	12,188,146	79,190,000	69,852,569	13,123,556	82,976,125	162,166,125
2011	71,952,056	13,052,944	85,005,000	66,769,873	12,536,674	79,306,547	164,311,547
2012	75,588,657	13,471,343	89,060,000	63,417,002	11,918,554	75,335,556	164,395,556
2013	79,165,753	13,884,247	93,050,000	59,777,936	11,242,656	71,020,592	164,070,592
2014-2018	447,239,524	86,065,476	533,305,000	232,846,220	44,595,514	278,441,734	811,746,734
2019-2023	441,849,448	90,690,552	532,540,000	115,169,114	20,935,622	136,104,736	668,644,736
2024-2028	217,803,040	32,466,960	250,270,000	26,863,780	3,826,371	30,690,151	280,960,151
2029	-	1,195,000	1,195,000	-	59,750	59,750	1,254,750
	1,459,605,938	272,979,062	1,732,585,000	708,104,710	131,836,519	839,941,229	2,572,526,229
Loss on Refunding	(7,421,490)	(2,553,727)	(9,975,217)	-	-	-	(9,975,217)
Premium/ (Discount)	55,843,658	11,203,082	67,046,740	-	-	-	67,046,740
Total	$1,508,028,106	$281,628,417	$1,789,656,523	$ 708,104,710	$ 131,836,519	$ 839,941,229	$2,629,597,752

NOTE 7 – BONDS PAYABLE (Continued)

The following is a summary of total debt service:

	Interest Rates Ranges	Maturity Range	Annual Payment Range	Principal
Wastewater Fund	2.74%-5.50%	2009-2028	$18,910,000 - $103,244,964	$ 1,459,605,938
Drinking Water Fund	3.30%-5.50%	2009-2029	1,165,000 - 20,433,438	272,979,062
Combined Programs	2.74%-5.50%	2009-2029	1,195,000 - 122,785,000	1,732,585,000
Less: Current Portion				68,970,000
Total Long-term Portion				$ 1,663,615,000

NOTE 8 - LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2008 and 2007 was as follows:

June 30, 2008:	Balance Beginning Of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
Amount due to federal government	$ 2,577,248	$ 3,773,967	$ -	$ 6,351,215	$ -	$ 6,351,215
Bonds payable	1,666,780,000	94,530,000	28,725,000	1,732,585,000	68,970,000	1,663,615,000
Loss on refunding	(13,456,923)	3,481,706	-	(9,975,217)	-	(9,975,217)
Net premium on bonds payable	68,222,485	6,180,653	7,356,398	67,046,740	-	67,046,740
	$ 1,724,122,810	$ 107,966,326	$ 36,081,398	$1,796,007,738	$ 68,970,000	$ 1,727,037,738

June 30, 2007:	Balance Beginning Of Year	Increases	Decreases	Balance End of Year	Amounts Due Within One Year	Amounts Due Thereafter
Amount due to federal government	$ 333,000	$ 2,244,248	$ -	$ 2,577,248	$ -	$ 2,577,248
Bonds payable	1,582,765,000	214,160,000	60,670,000	1,736,255,000	69,475,000	1,666,780,000
Loss on refunding	(17,766,075)	4,309,152	-	(13,456,923)	-	(13,456,923)
Net premium on bonds payable	64,659,202	10,340,556	6,777,273	68,222,485	-	68,222,485
	$ 1,629,991,127	$ 231,053,956	$ 67,447,273	$1,793,597,810	$ 69,475,000	$ 1,724,122,810

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 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, 2008, an amount up to 33% of the Safe Drinking Water Act grants for Federal Fiscal Years (FFY) 1997 through 2008 could be so transferred on a net cumulative basis between the two SRF Program funds.

Based on the State's award of Safe Drinking Water Act related funds for FFY 1997 through 2008, to date, the following transfers were made:

2001	$ 20,464,898
2002	3,270,417

NOTE 10 – PROGRAM REVENUE

For the years ended June 30, 2008 and 2007, program revenues consisted of the following:

	2008	2007
Operating grants and contributions	$ 107,495,400	$ 107,209,548
Capital grants and contributions	30,010,936	36,982,225
	$ 137,506,336	$ 144,191,773

NOTE 11 - SUBSEQUENT EVENTS

The following subsequent event is provided for users of the financial statements. The subsequent event did not result in changes to the financial statements at June 30, 2008.

On September 10 and 22, 2008, the SRF Programs terminated its guaranteed investment contracts with AIG. A credit downgrade of AIG triggered the termination event. The State Revolving Fund Loan Programs received $56,985,746 in excess of the par value of the par amount of the investment of $355,672,942.

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Independent Auditors' Report
on Combining Schedules

Board of Directors of the Indiana Finance Authority
State Revolving Fund Loan Programs

Our report on our audits of the basic combined financial statements of the State Revolving Fund Loan Programs for the years ended June 30, 2008 and 2007, appears on pages 1-2. Those audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying combining schedules are presented for purposes of additional analysis of the basic combined financial statements rather than to present the financial position, results of operations and cash flows of the individual programs. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 29, 2008

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF NET ASSETS INFORMATION
June 30, 2008 and 2007

	Wastewater Program		Drinking Water Program		Combined	
	2008	2007	2008	2007	2008	2007
ASSETS						
Current Assets:						
Cash and equivalents	$ 257,344,326	$ 407,331,366	$ 69,700,033	$ 56,195,516	$ 327,044,359	$ 463,526,882
Interest receivable-investments	13,798,298	13,296,924	2,543,693	2,483,859	16,341,991	15,780,783
Interest receivable-loans	15,454,762	13,130,810	1,671,574	1,589,219	17,126,336	14,720,029
Due from EPA	-	25,793,856	11,177,225	10,794,960	11,177,225	36,588,816
Loans receivable	61,627,402	57,142,397	9,672,891	8,930,872	71,300,293	66,073,269
Total Current Assets	348,224,788	516,695,353	94,765,416	79,994,426	442,990,204	596,689,779
Noncurrent Assets:						
Investments	555,757,223	542,566,400	114,795,534	113,742,866	670,552,757	656,309,266
Loans receivable	1,334,704,627	1,162,531,725	243,441,760	226,362,527	1,578,146,387	1,388,894,252
Equipment, net	19,815	11,157	10,167	-	29,982	11,157
Deferred charges, net	7,790,592	8,405,946	1,440,545	1,409,307	9,231,137	9,815,253
Total Noncurrent Assets	1,898,272,257	1,713,515,228	359,688,006	341,514,700	2,257,960,263	2,055,029,928
Total Assets	2,246,497,045	2,230,210,581	454,453,422	421,509,126	2,700,950,467	2,651,719,707
LIABILITIES						
Current Liabilities:						
Interest payable	30,213,064	30,201,716	5,676,484	5,391,206	35,889,548	35,592,922
Accounts payable	304,018	812,253	12,184	(584,855)	316,202	227,398
Bonds payable-current, net	59,005,606	59,395,841	9,964,394	10,079,159	68,970,000	69,475,000
Total Current Liabilities	89,522,688	90,409,810	15,653,062	14,885,510	105,175,750	105,295,320
Long-term Liabilities:						
Amount due to federal government	5,591,510	2,329,127	759,705	248,121	6,351,215	2,577,248
Bonds payable, net	1,449,022,500	1,465,033,356	271,664,023	256,512,206	1,720,686,523	1,721,545,562
Total Long-term Liabilities	1,454,614,010	1,467,362,483	272,423,728	256,760,327	1,727,037,738	1,724,122,810
Total Liabilities	1,544,136,698	1,557,772,293	288,076,790	271,645,837	1,832,213,488	1,829,418,130
NET ASSETS						
Restricted for water pollution and drinking water projects and other related program purposes	$ 702,360,347	$ 672,438,288	$ 166,376,632	$ 149,863,289	$ 868,736,979	$ 822,301,577

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS INFORMATION
Years Ended June 30, 2008 and 2007

	Wastewater Program		Drinking Water Program		Combined	
	2008	2007	2008	2007	2008	2007
OPERATING REVENUE						
Interest income-investments	$ 45,923,624	$ 54,325,184	$ 8,230,845	$ 8,386,486	$ 54,154,469	$ 62,711,670
Interest income-loan participants	44,656,847	36,660,718	8,204,948	7,106,524	52,861,795	43,767,242
Administration fee	26,001	29,000	5,000	9,000	31,001	38,000
Other	-	-	448,135	692,636	448,135	692,636
Total Operating Revenue	90,606,472	91,014,902	16,888,928	16,194,646	107,495,400	107,209,548
OPERATING EXPENSES						
Interest	74,889,924	69,231,616	13,304,306	11,582,248	88,194,230	80,813,864
Amortization of deferred charges	1,012,839	1,021,137	164,544	146,653	1,177,383	1,167,790
Trustee fees	106,419	310,365	2,030	10,235	108,449	320,600
Other program and administrative	1,147,883	1,143,293	442,989	693,873	1,590,872	1,837,166
Total Operating Expenses	77,157,065	71,706,411	13,913,869	12,433,009	91,070,934	84,139,420
OPERATING INCOME	13,449,407	19,308,491	2,975,059	3,761,637	16,424,466	23,070,128
CAPITAL CONTRIBUTIONS	16,472,652	25,793,856	13,538,284	11,188,369	30,010,936	36,982,225
INCREASE IN NET ASSETS	29,922,059	45,102,347	16,513,343	14,950,006	46,435,402	60,052,353
NET ASSETS						
Beginning of Year	672,438,288	627,335,941	149,863,289	134,913,283	822,301,577	762,249,224
End of Year	$ 702,360,347	$ 672,438,288	$ 166,376,632	$ 149,863,289	$ 868,736,979	$ 822,301,577

STATE REVOLVING FUND LOAN PROGRAMS
(ENTERPRISE FUND OF THE INDIANA FINANCE AUTHORITY)
COMBINING SCHEDULES - STATEMENTS OF CASH FLOWS INFORMATION
Years Ended June 30, 2008 and 2007

	Wastewater Program		Drinking Water Program		Combine	
	200	200	200	200	200	200
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash payments for salaries, administrative and other	$ (1,762,537)	$ (859,185)	$ 600.15	$ (598,758)	$ (1,162,382)	$ (1,457,943)
Administration	26.00	29.00	5.00	9.00	31.00	38.00
Net Cash Provided (Used) by Operating Activities	(1,736,536)	(830,185)	605.15	(589,758)	(1,131,381)	(1,419,943)
CASH FLOWS FROM INVESTING ACTIVITIES						
Maturities of loans to	64,120.49	50,034.94	10,761.08	9,138.10	74,881.57	59,173.05
Issuance of loans to	(240,778,404)	(299,276,509)	(28,582,334)	(56,236,399)	(269,360,738)	(355,512,908)
Change in	(13,190,823)	(87,096,157)	(1,052,668)	571.71	(14,243,491)	(86,524,442)
Interest received on loans and investments	87,755.14	88,875.73	16,293.60	15,970.76	104,048.749	104,846,500
Purchase of capital	(12,120	(11,157	(12,000	-	124,120	(11,157
Net Cash (Used) by Investing	(102,105,705)	(247,473,138)	(2,592,316)	(30,555,819)	(104,698,021)	(278,028,957)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Proceeds from debt	66,305.00	174,000,000	28,225.00	40,160.00	94,530.00	214,160,000
Principal payments to reduce indebtedness including refunding	(82,702,629)	(46,372,724)	(13,186,115)	(6,424,841)	(95,888,744)	(52,797,565)
Payment of debt issuance costs, net of	(397,485)	(1,297,355)	(195,782)	(296,251)	(593,267)	(1,593,606)
Change in amount due to federal government	3,262.38	2,045.71	511.58	198.53	3,773.96	2,244.24
Interest paid on debt	(74,878,576)	(64,528,997)	(13,019,028)	(10,717,884)	(87,897,604)	(75,246,881)
Net Cash Provided (Used) by Non-Capital Financing Activities	(88,411,307)	63,846.63	2,335.65	22,919.56	(86,075,648)	86,766.19
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Capital contributions (EPA Grants)	42,266.50	21,135.42	13,156.01	10,750.87	55,422.52	31,886.30
Net Cash Provided by Capital Financing Activities	42,266.50	21,135.42	13,156.01	10,750.87	55,422.52	31,886.30
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(149,987,040)	(163,321,261)	13,504.51	2,524.86	(136,482,523)	(160,796,400)
CASH AND EQUIVALENTS						
Beginning of	407,331,366	570,652,627	56,195.51	53,670.65	463,526,882	624,323,282
End of	$ 257,344,326	$ 407,331,366	$ 69,700.03	$ 56,195.51	$ 327,044,359	$ 463,526,882
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES						
Operating	$ 13,449.40	$ 19,308.49	$ 2,975.05	$ 3,761.63	$ 16,424.46	$ 23,070.12
Adjustments to reconcile operating income to net cash (used) provided by operating						
Interest income	(90,580,471)	(90,985,902)	(16,435,793)	(15,493,010)	(107,016,264)	(106,478,912)
Interest expense	74,889.92	69,231.61	13,304.30	13,582.24	88,194.23	80,813.86
Amortization of deferred charges	1,012.83	1,021.13	164.54	146.65	1,177.38	1,167.79
Changes in assets and Accounts	(508.235)	594.47	597.03	(587.286)	88.80	7.18
Net Cash Provided (Used) by Operating Activities	$ (1,736,536)	$ (830,185)	$ 605.15	$ (589,758)	$ (1,131,381)	$ (1,419,943)

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND
OMB CIRCULAR A-133 AUDITORS' REPORTS

June 30, 2008

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

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

Year Ended June 30, 2008

Indiana Finance Authority
State Revolving Fund Loan Programs

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the State Revolving Fund Loan Programs' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the State Revolving Fund Loan Programs' combined financial statements that is more than inconsequential will not be prevented or detected by the State Revolving Fund Loan Programs' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State Revolving Fund Loan 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* .

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 29, 2008

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

	CFDA Number	Grant Number	Program or Award Amount	Federal Expenditures
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
Capitalization Grants for Wastewater State Revolving Funds	66.458	CS 18000108-0	$ 16,472,652	$ 16,472,652
Capitalization Grants for Drinking Water State Revolving Funds				
	66.468	FS 98548608-0	11,167,000	11,167,000
	66.468	FS985486-07	459,360	459,360
	66.468	FS985486-07	229,680	229,680
	66.468	FS985486-06	417,488	143,715
	66.468	FS975486-05	389,148	196,148
	66.468	FS975486-05	400,000	81,725
	66.468	FS975486-05	194,574	33,325
	66.468	FS975486-04	389,972	389,972
	66.468	FS975486-04	400,000	400,000
	66.468	FS975486-04	194,986	25,000
	66.468	FS975486-03	900,000	177,460
	66.468	FS975486-01	380,924	279,877
	66.468	FS975486-01	95,231	62,863
	66.468	FS985655-98	2,443,669	279,900
	66.468	FS985655-98	384,662	60,394
				13,986,419
				$ 30,459,071

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided
Capitalization Grants for Wastewater State Revolving Funds	66.458	$16,472,652
Capitalization Grants for Drinking Water State Revolving Funds	66.468	13,538,284

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Year Ended June 30, 2008

Indiana Finance Authority
State Revolving Fund Loan Programs

Compliance

We have audited the compliance of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to the major federal programs for the year ended June 30, 2008. The State Revolving Fund Loan Programs' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal programs is the responsibility of the State Revolving Fund Loan Programs' management. Our responsibility is to express an opinion on the State Revolving Fund Loan Programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State Revolving Fund Loan Programs' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the State Revolving Fund Loan Programs' compliance with those requirements.

In our opinion, the State Revolving Fund Loan Programs complied, in all material respects, with the requirements referred to above that are applicable to the major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the State Revolving Fund Loan Programs is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State Revolving Fund Loan Programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State Revolving Fund Programs' internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the combined financial statements of the State Revolving Fund Loan Programs, an enterprise fund of the Indiana Finance Authority, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 29, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the State Revolving Fund Loan Programs' basic combined financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 29, 2008

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

SECTION I

Summary of Auditors' Results

Type of report issued on the financial statements:	Unqualified
Material weakness in internal control over financial reporting:	No
Material noncompliance:	No
Significant deficiencies in internal control over compliance for major programs:	No
Material weakness in internal control over compliance for major programs:	No
Type of report issued on compliance for major programs:	Unqualified
Any audit finings which are required to be reported under Section 510(a) of OMB Circular A-133:	No

The programs identified and tested as major programs were:

CFDA Number	Agency	Title
66.458	U.S. Environment Protection Agency	Capitalization Grants for State Revolving Funds

The threshold used to distinguish between type A and type B programs was $913,772

Auditee qualified as a low risk auditee _X_ Yes _____ No

SECTION II

FINANCIAL STATEMENT FINDINGS

Findings related to the financial statements that are required to be reported in accordance with GAGAS:

None

SECTION III

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

None

Exhibit I
SFY 2008 Project Descriptions

Listed below are project descriptions of the five DWSRF Loan Program loans closed in SFY 2008.

Dupont Water Company

1. SRF Project #: DW 060739 01
2. DWSRF Loan Closed: 8/30/07
3. PWS ID #: IN5240004
4. DWSRF loan amount: $ 2,448,000
5. Repayment period: 20 yrs
6. Estimated SRF savings: $ 754,118
7. NIMS Categories
   a. Transmission & distribution: $1,237,049
   b. Storage: $1,210,951
8. Affected Population:
   Before project: 3,132
   After project: 3,132
9. This Project:
   Assists a compliant system to maintain compliance with the Safe Drinking Water Act.
10. Project Description:
    The Dupont Water Company had inadequate storage capacity, low-pressure problems, out-dated telemetry and controls, inadequate contractual water supply with the City of Madison, inadequate water transmission capability, and inoperable valves or no valves at all in the older sections of the distribution system.

    To address these issues, Dupont installed two new tanks (150,000 and 300,000 gallons), a new control valve station, replaced the existing outdated telemetry system with a PC-based Supervisory Control and Data Acquisition (SCADA) system, installed a new 8" transmission main and a master meter for supply from Madison Water, and installed or replaced non-functioning valves in critical locations.

    This project increased usable water storage capacity, improved water pressure and flow, enhanced system operation, eliminated four dead ends, and allowed for easier isolation of the distribution system during main breaks and repairs.

    The DWSRF Loan Program awarded the Dupont Water Company a Small System Technical Assistance Fund grant of $25,000 for planning and design costs.

City of Greensburg

1. SRF Project #: DW 070316 03
2. DWSRF Loan Closed: 9/28/07
3. PWS ID #: IN5216002
4. DWSRF loan amount: $ 7,880,000
5. Repayment period: 20 yrs
6. Estimated SRF savings: $ 4,766,232
7. NIMS Categories
   a. Treatment: $5,351,142
   b. Source: $2,528,858
8. Affected Population:
   Before project: 11,500
   After project: 11,500
9. This Project:
   Assists a compliant system to maintain compliance with the Safe Drinking Water Act.
10. Project Description:
    The city of Greensburg needed to meet a 3.9 million gallons per day (MGD) average daily demand and a 4.8 MGD maximum daily demand due to the Honda plant currently under construction and other existing and future residential, commercial, and industrial needs in the Greensburg service area.

    In response, the city will make improvements at the Flatrock River Intake Facility, the Upland Reservoir Pump Station, the existing groundwater treatment plant, the existing surface water treatment plant, and will construct a new 2.0 MGD groundwater treatment plant.

    These improvements will allow the city to continue to provide an adequate supply of safe and reliable drinking water to its existing customers.

Above: Greensburg's new groundwater treatment facility.

Left: High service pumps at the new groundwater treatment facility.

Town of Rosedale

1. SRF Project #: DW 070161 01

2. DWSRF Loan Closed: 12/28/07

3. PWS ID #: IN5261007

4. DWSRF loan amount: $ 259,000

5. Repayment period: 20 yrs

6. Estimated SRF savings: $ 63,388

7. NIMS Categories
   a. Treatment: $84,247
   b. Transmission & distribution: $119,390
   c. Source: $55,362

8. Affected Population:
   Before project: 825
   After project: 827

9. This Project:
   Assists a compliant system to maintain compliance with the Safe Drinking Water Act.

10. Project Description:
    Rosedale had several drinking water infrastructure needs. The treatment plant filter and filter media was leaking; it had reached end of useful life. Flush hydrants are over 50 years old and do not have isolation valves. Parts of the distribution system need to be looped to improve pressure concerns. Two existing homes within the town's corporate limits have poor water quality and the town will extend water to them. Two of the town's three wells are not in service; one is in a remote location and is not connected to the treatment plant, the other well has high iron and requires continual cleaning. The town does not have standby power, equipment to exercise valves, and also needs to update its meter reading capabilities.

    In response, the town replaced the filter, filter media, and approximately 40 flush hydrants and valves, installed new automatic-read metering, a portable electric generator, a new production well, flow meter, ~800 feet of water main, and purchased a new portable valve exerciser. These improvements will allow the town to continue serving safe and reliable drinking water. The new filter will reliably produce water that meets water quality standards. The addition of flush hydrants and looping will improve water quality and pressure in the distribution system. The new well, emergency generator and new meter reading equipment will improve operation and reliability.

    The DWSRF Loan Program awarded Rosedale a Small System Technical Assistance Fund grant of $25,000 for planning and design costs. The Community Development Block Grant Program co-funded this project.

City of Martinsville

1. SRF Project #: DW 102221 01
2. DWSRF Loan Closed: 12/28/07
3. PWS ID #: IN5255009
4. DWSRF loan amount: $ 9,865,000
5. Repayment period: 20 yrs
6. Estimated SRF savings: $ 2,099,682
7. NIMS Categories
   a. Treatment: $1,388,953
   b. Transmission & distribution: $4,339,718
   c. Storage: $4,136,329
8. Affected Population:
   Before project: 15,000
   After project: 15,000
9. This Project:
   Assists a non-compliant system to achieve compliance with the Safe Drinking Water Act.
10. Project Description:
    Martinsville had pressure and flow problems in its distribution system due to undersized lines and dead ends. As well as needing additional storage, the utility had one tank which had reached the end of useful life, and another tank which required cleaning and repainting. The utility was also without backup power. Lastly, during the planning of this project, the utility's well field was contaminated with PCE (Perchloroethylene) and the utility exceeded the Maximum Contaminant Level for Tetrachloroethylene.

    In response, the utility installed a Granular Activated Carbon (GAC) filtration system, new water main, recoated an existing standpipe, constructed two new a storage tanks, and installed a standby generator. These improvements allowed the utility to improve pressure and flow, and provide a reliable supply to its customers. The installation of the GAC filtration system allowed the utility to return to compliance and provide treated water that met the national water standard for Tetrachloroethylene. The potential health effects from exposure to Tetrachloroethylene include liver problems and an increased risk of developing cancer.

Martinsville's new GAC filters.

Edwardsville Water Corporation

1. SRF Project #: DW 061422 01
2. DWSRF Loan Closed: 1/15/08
3. PWS ID #: IN5222001
4. DWSRF loan amount: $1,565,000
5. Repayment period: 20 yrs
6. Estimated SRF savings: $404,801
7. NIMS Categories
   a. Transmission & distribution: $1,565,000
8. Affected Population:
   Before project: 10,098
   After project: 10,098
9. This Project:
   Assists a compliant system to maintain compliance with the Safe Drinking Water Act.
10. Project Description:
    The Edwardsville Water Corporation raw water transmission line was approximately 30 years old and located in acidic soil which contributed to multiple line breaks and boil water advisories. During flood events, repair crews are not able to access a portion of the main that is located in the Ohio River floodplain. The utility had no emergency connections to other public water supplies. The utility's ability to provide a reliable water supply was in jeopardy.

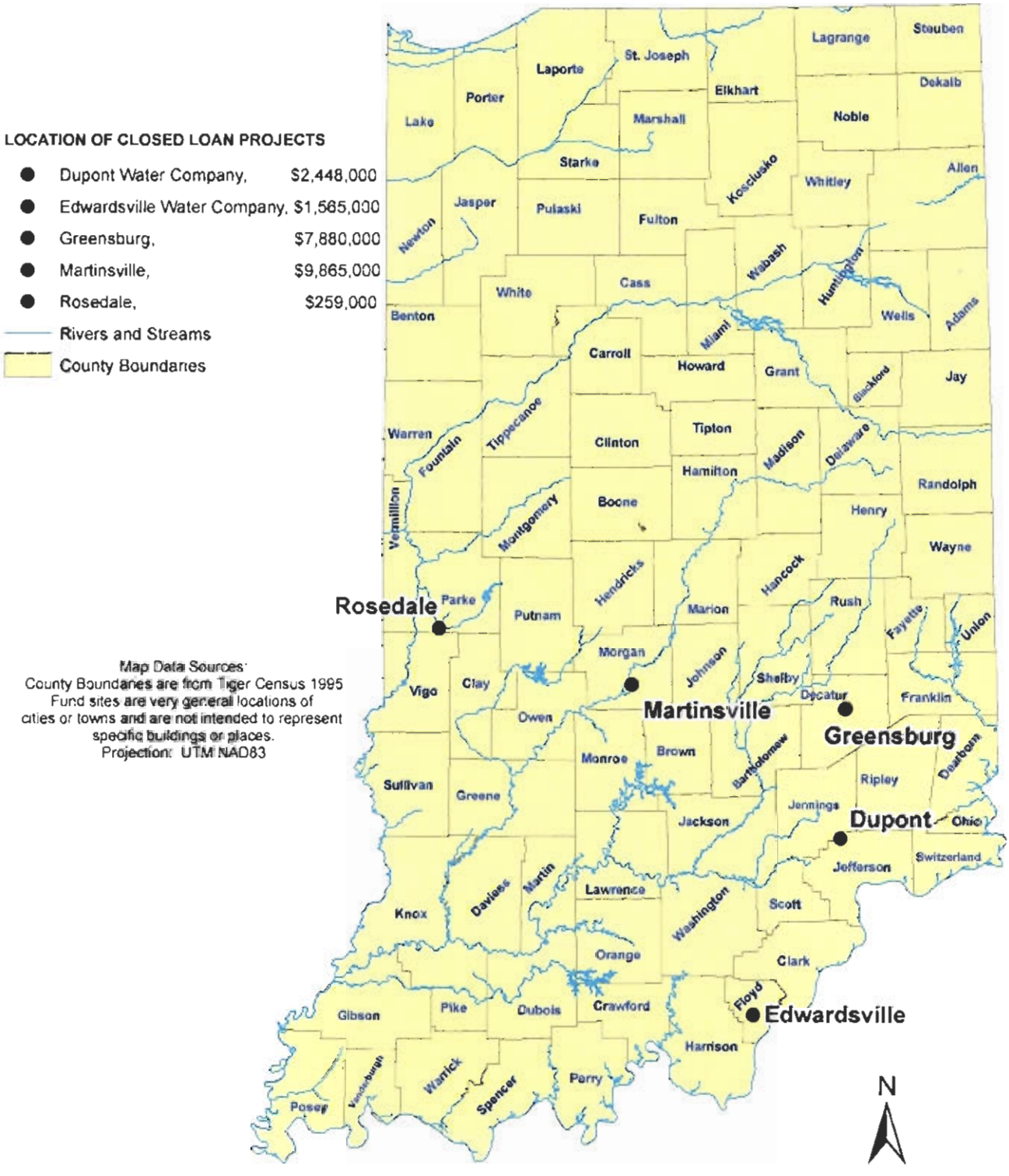
    To solve this urgent need, the utility installed a new raw water transmission line and a parallel line for portion of the line that was located in the floodplain; the total approximate length of the pipe installed was 10,340 feet. The utility also installed a booster station and interconnection with a neighboring public water supply.

    These improvements will prevent the numerous line breaks and enable the utility to provide a reliable water supply to its customers.

Pump at the new Edwardsville Water Company booster station.

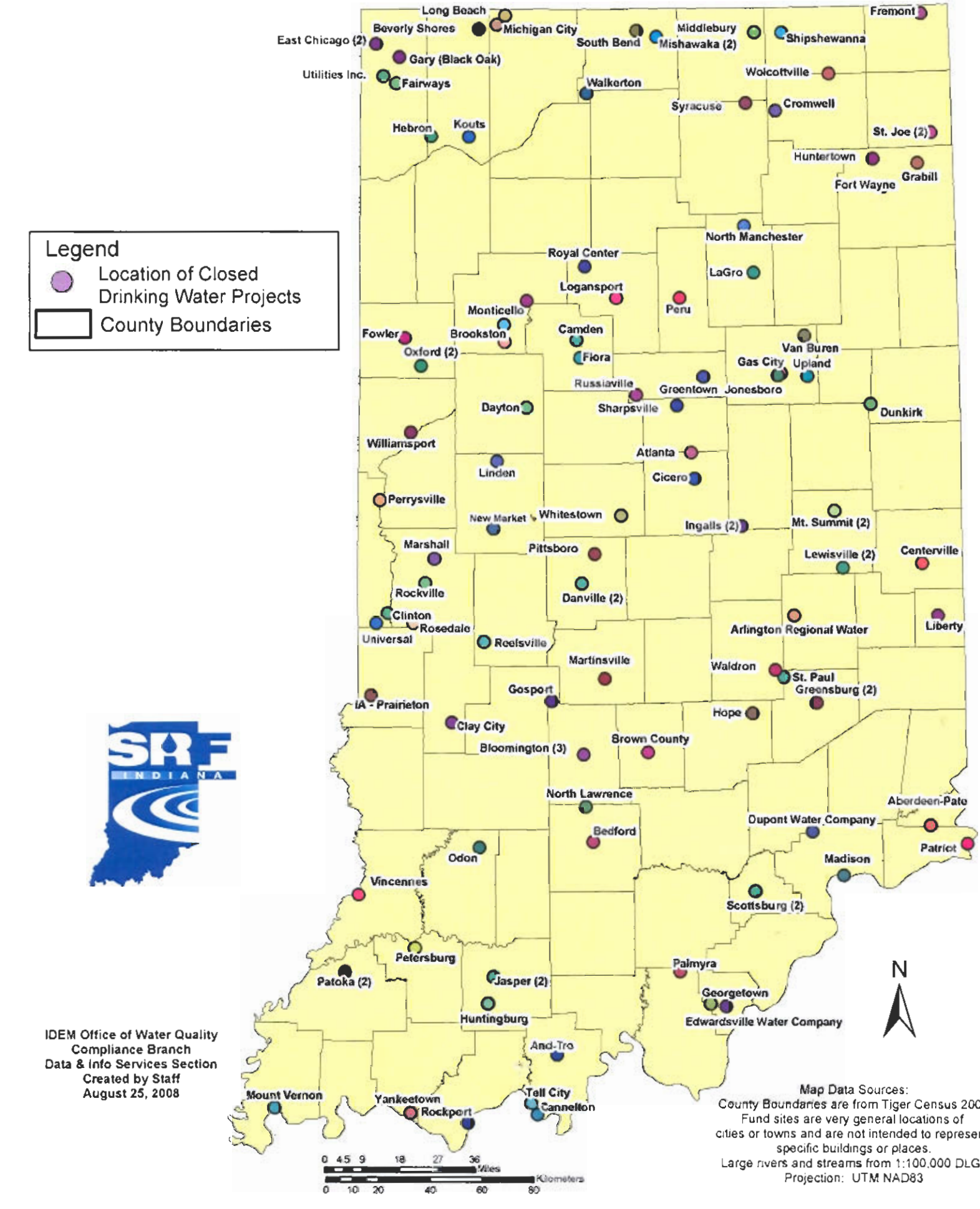
State Revolving Fund

SFY 2008 Drinking Water Projects



Indiana Department of Environmental Management (IDEM)
Office of Water Quality
Compliance Branch
Data & Info Services Section
Updated by Section Staff
August 22, 2008

State Revolving Fund - Drinking Water Projects (SFYs 1999-2008)



IDEM Office of Water Quality
Compliance Branch
Data & Info Services Section
Created by Staff
August 25, 2008

Map Data Sources:
County Boundaries are from Tiger Census 2000
Fund sites are very general locations of cities or towns and are not intended to represent specific buildings or places.
Large rivers and streams from 1:100,000 DLGs
Projection: UTM NAD83

Exhibit L
SFY 2008 DWSRF Set-Asides Summary

The SFY 2008 activities funded by the DWSRF Set-Asides are summarized below. Schedule L-1 (attached) identifies Set-Aside financial activity for all capitalization grants, which reflects the receipts, disbursements, and commitments of all Set-Aside funds awarded through and including June 30, 2008.

Small System Technical Assistance Fund (SSTAF) Grants

During SFY 2008, the Authority disbursed four SSTAF grants, which totaled $58,325. STAFF grants are awarded to communities with a population less than 10,000 and a median household income less than $41,566.

SRF Participant	Population Served	Grant Amount (dollars)
Town of Marshall	378	$3,325
Town of Rosedale	825	$5,000
Dupont Water Company	3,132	$25,000
Town of Chalmers	513	$25,000
TOTAL		**$58,325**

Arsenic Remediation Grant Program

During SFY 2008, the Authority disbursed eight Arsenic Remediation grants, which totaled $419,738.64. These grants were funded from a combination of Set-Aside ($$82,449.77) and Supplemental funds ($337,288.87), with the Set-Aside funds paying for planning and design and the Supplemental funds paying for construction costs.

SRF Participant	County	Population Served	Grant Amount (dollars)
Arcola School	Allen	200	$20,375.55
Hickory Grove Mobile Home Park	LaGrange	31	$21,797.83
Walnut Grove Mobile Home Park	Posey	125	$100,000.00
Glenn Hills Non-Profit Corp	Delaware	80	$41,162.00
Pine Hills Mobile Home Park	Elkhart	332	$100,000.00
Lake Prairie Elementary	Lake	370	$75,650.00
Northern Heights Elementary School	Whitley	521	$45,612.00
Sti-Bel Mobile Home Park	Hendricks	25	$15,141.26
TOTAL			

Administrative Set-Asides Activities

During SFY 2008, the Authority used administrative Set-Asides to offset DWSRF Loan Program costs to the extent permitted by the SDWA, including expending $12,000 towards the purchase of a new vehicle.

Schedule L-1 to Exhibit L

Snmmary of State of Indiana Set-Aside Activity

Total for Grant Years 1997 through 2007

As of June 30, 2008

Set-Aside	Federal Funds Awarded for Set-Asides	Maximum Grant for Set-Aside / Category (as % of Total Federal Grant)	Funds Obligated / Encumbered (optional)	Unobligated Balance	Funds Expended	Balance of Unexpended Funds	Set-Aside Spending Rate
Set-Aside Category							
Administration Set-Aside	2,367,712.11	4%	543,772.71	1,823,939.40	1,800,939.40	566,772.71	76.1%
Small Systems Technical Assistance	1,311,983.89	2%	75,000.00	1,236,983.89	934,679.89	377,304.00	71.2%
State Program Management							
PWSS (administer State program)	1,656,369.00		287,989.97	1,368,379.03	1,368,379.33	287,989.67	
Source Water Protection programs	0.00		0.00	0.00	0.00	0.00	
Capacity Development strategy	0.00		0.00	0.00	0.00	0.00	
Operator Certification program	0.00		0.00	0.00	0.00	0.00	
Total State Program Management (note: 1-to-1 match requried on State Program Management)	1,656,369.00	10%	287,989.97	1,368,379.03	1,368,379.33	287,989.67	82.6%
Local Assistance / other State Programs							
Land Acquisition loans	0.00		0.00	0.00	0.00	0.00	
Source Water Protection loans	0.00		0.00	0.00	0.00	0.00	
Wellhead Protection	0.00		0.00	0.00	0.00	0.00	
PWS Capacity Development assistance	2,163,769.00		0.00	2,163,769.00	2,163,769.00	0.00	
SWP areas - Delineation & Assessment	0.00		0.00	0.00	0.00	0.00	
Total Local Assistance & other State Programs	2,163,769.00	15%	0.00	2,163,769.00	2,163,769.00	0.00	100.0%
Sub-Total: Non-Administration Set-Asides	5,132,121.89		362,989.97	4,769,131.92	4,466,828.22	665,293.67	87.0%
Total - All Set-Aside Activity	**7,499,834.00**		**906,762.68**	**6,593,071.32**	**6,267,767.62**	**1,232,066.38**	**83.6%**

Exhibit M

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, 2008, an amount of up to 33% of the Safe Drinking Water Act grants for FFYs 1997 through 2008 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 2008, 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:

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

Such transfers did not negatively affect the capacity of the CWSRF to finance proposed projects during SFY 2008.