INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Financial Statements with
Supplementary Information

June 30, 2006 and 2005

INDIANA BOND BANK

(A COMPONENT UNIT OF THE STATE OF INDIANA)

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KATZ, SAPPER & MILLER

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Independent Auditors' Report

To the Board of Directors
of the Indiana Bond Bank

We have audited the accompanying statements of net assets of the Indiana Bond Bank (Bond Bank) as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Bond Bank at June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The management's discussion and analysis on pages 2 through 6 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the 2006 and 2005 basic financial statements taken as a whole. The 2006 and 2005 supplemental schedules listed in the table to contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 11, 2006

INDIANA BOND BANK

(A Component Unit of the State of Indiana)

Management's Discussion and Analysis

June 30, 2006

This section of the Indiana Bond Bank's (the "Bond Bank") annual financial report presents our discussion and analysis of the Bond Bank's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Bonds and notes payable issued during the year totaled $702,205,000.
- Repayments of bonds and notes payable totaled $859,320,000.
- The last bonds of the School Severance Pension Program to be issued under the current statute (which lapsed on June 30, 2006) generated $174,505,000 in obligations receivable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

INDIANA BOND BANK
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS OF THE BOND BANK

The following table is a condensed summary of financial information as of and for the years ended June 30, 2006, 2005 and 2004:

		2006		2005		2004
Net assets						
Current assets	$	583,639,248	$	933,649,435	$	1,301,059,329
Noncurrent assets		1,683,943,674		2,967,306,636		2,739,001,121
Total assets		2,267,582,922		3,900,956,071		4,040,060,450
Current liabilities		577,526,138		954,488,726		1,335,188,654
Noncurrent liabilities		1,676,376,567		2,934,051,019		2,693,302,034
Total liabilities		2,253,902,705		3,888,539,745		4,028,490,688
Invested in capital assets		—		21,217		19,750
Restricted for debt service		2,122,104		1,373,561		1,125,084
Unrestricted		11,558,113		11,021,548		10,424,928
Total net assets	$	13,680,217	$	12,416,326	$	11,569,762
Revenues, expenses and changes in net assets						
Operating revenues:						
Interest income	$	97,873,898	$	157,506,752	$	122,071,712
Acceptance and administration fees		393,091		1,081,908		692,691
Total operating revenues		98,266,989		158,588,660		122,764,403
Operating expenses:						
Interest		92,486,759		150,237,549		115,853,144
Amortization of debt issuance costs		4,152,394		6,313,340		6,679,452
General and administrative		1,216,152		1,395,827		1,284,098
Total operating expenses		97,855,305		157,946,716		123,816,694
Operating income (loss)		411,684		641,944		(1,052,291)
Nonoperating revenues		378,062		204,620		212,498
Change in net assets		789,746		846,564		(839,793)
Net assets – beginning of year		12,416,326		11,569,762		12,409,555
Elimination of State Revolving Fund Issues		474,145		—		—
Net assets – end of year	$	13,680,217	$	12,416,326	$	11,569,762

The largest component of current assets is $461,845,153 for 2006, $802,501,541 for 2005 and $1,219,505,264 for 2004 in qualified obligations receivable which will be maturing during the upcoming fiscal year. The decrease in 2006 is almost entirely a result of a lower balance outstanding on the Advanced Funding Note program. This program had $294 million less outstanding at June 30, 2006 when compared to 2005. The decrease for 2005 of $417 million when compared to 2004 is also due to a lower outstanding balance on the Advanced Funding Note program and Warrant Assistance Notes. Also included in current assets are cash and cash equivalents, accounts receivable and accrued interest receivable.

Noncurrent assets consist primarily of investments and the long-term portion of the qualified obligations receivable of $1,623,057,341 for 2006, $2,864,688,549 for 2005 and $2,633,556,458 for 2004. The decrease of approximately $1.2 billion in 2006 is due primarily to the transferring of the State Revolving Fund from the Bond Bank to the Indiana Finance Authority. The increase of approximately $231 million in 2005 is due primarily to additional loans made to qualified entities during the respective years exclusive of the Advanced Funding Notes and Reassessment and year end Warrant Assistance Programs.

Similarly, current liabilities are comprised of $537,148,612 for 2006, $884,954,186 for 2005 and $1,283,285,708 for 2004 of bonds and notes payable that mature in the next fiscal year. The cause for the decrease in the current portion of bonds payable and notes payable is the same as the current portion of the qualified obligations receivable as explained above. Accrued interest payable and accounts payable are included in current liabilities as well. The long-term portion of bonds and notes payable of $1,675,855,644 for 2006, $2,933,539,356 for 2005 and $2,692,704,914 for 2004 represents the majority of noncurrent liabilities. Deferred revenues also are included in noncurrent liabilities.

Operating revenues consist of interest income earned on qualified obligations receivable and the related long-term investments in guaranteed investment contracts. The operating interest income for the year was 4.7% for 2006, 4.3% for 2005 and 3.1% for 2004 of the related investments. Also included in operating revenues are acceptance and administration fees paid by qualified entities to the Bond Bank's operating program. These fees decreased approximately $688,000 in 2006, increased $319,000 in 2005 and decreased $76,000 in 2004.

Operating expenses include interest expense on bonds and notes payable. Interest expense for the year represented 4.2% for 2006, 3.9% for 2005 and 3.0% for 2004 of the related bonds and notes payable balance. Also included in operating expenses is the amortization of debt issuance costs and general and administrative expenses such as management fees and arbitrage expense, as well as, expenses for the operating program such as professional fees, payroll and payroll related expenses.

Net assets in 2006 have increased in total approximately $1,264,000 from 2005. Net assets invested in capital assets decreased approximately $21,000, net assets restricted for debt service increased approximately $748,000 and unrestricted net assets increased approximately $536,000. In comparison, net assets for 2005 increased approximately $847,000 over 2004. Net assets invested in capital assets increased approximately $1,500, net assets restricted for debt service increased approximately $248,500 and unrestricted net assets increased approximately $597,000.

INDIANA BOND BANK
(A Component Unit of the State of Indiana)
Management's Discussion and Analysis

June 30, 2006

DEBT ADMINISTRATION

On the following page are three graphs depicting the composition of bonds and notes payable. The graph on the top details the composition of bonds and notes payable by program for 2006 and the graph on the bottom left depicts 2005 and the graph on the bottom right shows 2004. The composition by program has changed due to the new bonds issued during each of the years. Below is a listing of the amount issued by program for the fiscal years ended June 30, 2006, 2005 and 2004:

Program	2006	2005	2004
Special Program	$ 87,035,000	$ 44,065,000	$ 137,110,000
Advance Funding Program	435,835,000	942,289,000	1,232,720,000
State Revolving Fund	—	—	513,115,000
Reassessment Assistance Program	—	—	27,660,000
School Severance Program	179,335,000	364,900,000	381,525,000
Common School Fund	—	—	143,445,000
Warrant Assistance	—	6,615,000	477,215,000

INDIANA BOND BANK
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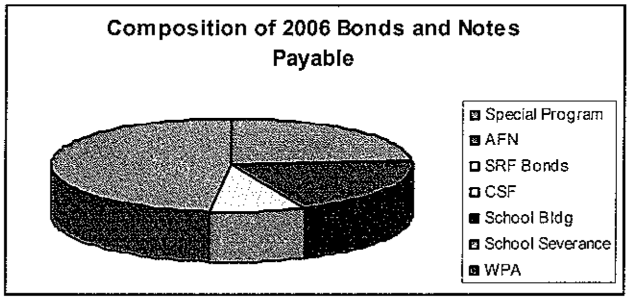
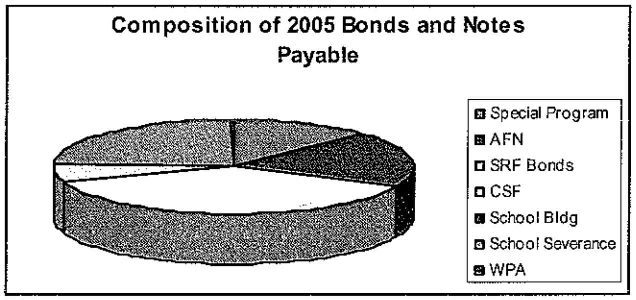
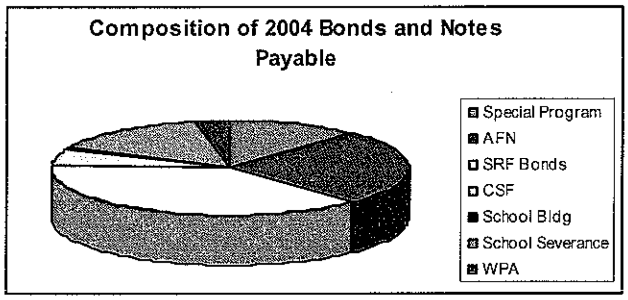
Management's Discussion and Analysis







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

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

Statements of Net Assets

June 30, 2006 and 2005

Assets		**2006**		**2005**
Current assets:				
Cash and cash equivalents	$	92,523,926	$	72,868,227
Accounts receivable		28,978		—
Qualified obligations receivable		461,845,153		802,501,541
Accrued interest receivable		29,241,191		58,279,667
Total current assets		583,639,248		933,649,435
Noncurrent assets:				
Investments, at fair value		37,650,286		68,916,045
Qualified obligations receivable, net of current portion		1,623,057,341		2,864,688,549
Deferred debt issuance costs, net of accumulated amortization of $10,425,791 in 2006 and $16,592,454 in 2005		23,236,047		33,680,825
Capital assets, net		—		21,217
Total noncurrent assets		1,683,943,674		2,967,306,636
Total assets		2,267,582,922		3,900,956,071
Liabilities				
Current liabilities:				
Bonds and notes payable		537,148,612		884,954,186
Accrued interest payable		40,164,026		69,238,990
Accounts payable		213,500		295,550
Total current liabilities		577,526,138		954,488,726
Noncurrent liabilities:				
Bonds and notes payable, net of current portion		1,675,855,644		2,933,539,356
Deferred revenues		520,923		511,663
Total noncurrent liabilities		1,676,376,567		2,934,051,019
Total liabilities		2,253,902,705		3,888,539,745
Net Assets				
Invested in capital assets		—		21,217
Restricted for debt service		2,122,104		1,373,561
Unrestricted		11,558,113		11,021,548
Total net assets	$	13,680,217	$	12,416,326

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30, 2006 and 2005

	2006	2005
Operating revenues:		
Interest income	$ 97,873,898	$ 157,506,752
Acceptance and administration fees	393,091	1,081,908
Total operating revenues	98,266,989	158,588,660
Operating expenses:		
Interest	92,486,759	150,237,549
Amortization of debt issuance costs	4,152,394	6,313,340
General and administrative	1,216,152	1,395,827
Total operating expenses	97,855,305	157,946,716
Operating income (loss)	411,684	641,944
Nonoperating revenues		
Interest income on investments	378,062	204,620
Change in net assets	789,746	846,564
Net assets, beginning of year	12,416,326	11,569,762
Elmination of State Revolving Fund Issues	474,145	—
Net assets, end of year	$ 13,680,217	$ 12,416,326

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years Ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from interest, service fees and principal on program loans	$ 101,464,681	$ 144,960,888
Cash payments for loaned amounts	(96,190,279)	(132,996,378)
Cash payments to suppliers and employees	(827,362)	(999,514)
Net cash provided by operating activities	4,447,040	10,964,996
Cash flows from non-capital financing activities:		
Proceeds from debt issuances	700,859,638	1,351,427,214
Debt issuance costs paid	(4,968,822)	(9,105,659)
Repayment of bonds and notes payable	(859,320,000)	(1,508,924,292)
Net cash used in non-capital financing activities	(163,429,184)	(166,602,737)
Cash flows from capital activities:		
Purchases of capital assets	—	(7,359)
Net cash used by capital activities	—	(7,359)
Cash flows from investing activities:		
Purchases of investments	(62,438,221)	(147,730,664)
Purchases of qualified obligations receivable	(701,614,858)	(1,497,341,036)
Interest received on investments	378,062	204,620
Maturities of investments	93,703,980	153,351,026
Maturities of qualified obligations receivable	848,608,880	1,683,212,668
Net cash provided by investing activities	178,637,843	191,696,614
Net increase in cash and cash equivalents	19,655,699	36,051,514
Cash and cash equivalents, beginning of year	72,868,227	36,816,713
Cash and cash equivalents, end of year	$ 92,523,926	$ 72,868,227
Supplemental disclosure of cash flow information:		
Interest received during the year	$ 101,091,308	$ 143,964,437
Interest paid during the year	95,740,657	132,286,774
Reconciliation of operating income to net cash provided by operating activities:		
Operating income(loss)	$ 411,684	$ 641,944
Adjustments to reconcile operating income(loss) to net cash provided by operating activities:		
Amortization of debt issuance costs	4,152,395	6,313,339
Depreciation	—	5,891
Capital assets expensed	21,217	
Changes in certain assets and liabilities:		
Accounts receivable	(28,978)	
Accrued interest receivable	3,217,410	(13,542,315)
Accrued interest payable	(3,253,898)	17,950,775
Accounts payable	(82,050)	(319,181)
Deferred revenues	9,260	(85,457)
Net cash provided by operating activities	$ 4,447,040	$ 10,964,996

NONCASH ACTIVITIES

During the year ended June 30, 2006, there was noncash activity related to the removal of the State Revolving Fund Program from the Bond Bank's financials. This activity has been detailed in the notes to the financial statements, see Note 8 for additional detail.

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Organization

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

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

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

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

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

State Revolving Fund Program—Bonds issued to assist qualified entities in obtaining below market financing for water pollution control projects. During the year ended June 30, 2006, the State Revolving Fund Program was transferred to the Indiana Finance Authority. For additional description see Note 8.

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

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

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

Year End Warrant Assistance Program – Notes issued to assist Indiana political subdivisions with financing for continued cash flow deficits during the 2004 fiscal year due to the court-mandated reassessment of real property in Indiana. These bonds were issued to fund outstanding amounts from the Reassessment Assistance Program.

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

Basis of Presentation

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

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

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

Federal Income Taxes

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

Investments

Investments are recorded at fair value, based on quoted market prices of the investment or similar investments. For investments at June 30, 2006 and 2005, market approximates cost. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net assets. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior year(s) and the current year.

(Continued)

Cash Equivalents

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

Debt Issuance Costs

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

Deferred Revenues

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

Defeasance of Debt

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

Capital Assets

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated lives of the assets.

Net Assets

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

- *Invested in Capital Assets*—resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted*—net assets subject to externally imposed stipulations as to use. These net assets are restricted under the related program's bond indentures.
- *Unrestricted*—net assets which are available for the use of the Bond Bank.

Operating and Nonoperating Revenues

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

(2) Cash and Investments

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

The Bond Bank's cash and investments at June 30, 2006 are summarized as follows:

	Cost	Fair value
U.S. government agency obligations	$ 8,415,024	$ 8,415,024
Money market funds	76,842,905	76,842,905
Commercial paper	644,176	644,176
Investment agreements with banks	37,650,286	37,650,286
Cash	6,621,821	6,621,821
Total cash and investments	$ 130,174,212	$ 130,174,212

The Bond Bank's cash and investments at June 30, 2005 are summarized as follows:

	Cost	Fair value
U.S. government agency obligations	$ 9,295,252	$ 9,295,252
Money market funds	51,126,583	51,126,583
Commercial paper	493,184	493,184
Investment agreements with banks	68,916,045	68,916,045
Cash	11,952,938	11,952,938
Total cash and investments	$ 141,784,272	$ 141,784,272

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

(Continued)

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

As of June 30, 2006, the Bond Bank had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Government obligations	$ 8,415,024	$ 2,802,625	$ 5,612,399		
Money market funds	76,842,905	76,842,905			
Commercial paper	644,176	644,176			
Guaranteed investment contracts	37,650,286	8,489,238		$3,377,935	$25,783,113
	$123,552,391	$88,778,944	$5,612,399	$3,377,935	$25,783,113

Credit Risk Disclosure

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

Credit Ratings	**S & P**	**Fitch**	**Moody's**	**Fair Value**
Government obligations	AAA	AAA	Aaa	$ 8,415,024
Money market funds	AAA	AAA	Aaa	76,842,905
Commercial paper	A-	Unrated	P-1	644,176
Guaranteed investment contracts				
Trinity Plus Funding GIC	AAA	AAA	P-1	3,298,615
MBIA, Inc. GIC	AA	AA	Aa2	3,671,880
GE Capital Corp. GIC	AAA	Unrated	Aaa	727,333
West LB GIC	A-	Unrated	Unrated	11,618,387
FSA Capital Management GIC	Unrated	Unrated	Aaa	9,311
Bayern LB GIC	Unrated	Unrated	Unrated	9,261,938
Ixis Funding Corp. GIC	Unrated	Unrated	Aaa	9,062,822
Total Rated Investments				$ 123,552,391

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following table shows investments issuers that represent 5% or more of the total investment at June 30, 2006:

Columbia Treasury Reserves Money Market Fund	39%
Fidelity Institutional US Government Portfolio Money Market Fund	17%
West LB GIC	9%
Bayern LB GIC	7%
Ixis Funding Corp. GIC	7%

(Continued)

(3) Qualified Obligations Receivable

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

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

Included in qualified obligations receivable are tax anticipation warrants receivable purchased by the Bond Bank under the Advance Funding and Year End Warrant Assistance Programs which amounted to $0 and $689,936,907 at June 30, 2006 and 2005, respectively. All of these warrants outstanding at June 30, 2005 matured on December 31, 2005. The warrants were repaid from the qualified entities' property tax revenues.

At June 30, 2006 and 2005, qualified obligations receivable included $77,895,000 and $58,930,000, respectively, which is to be repaid from incremental property tax revenues. The ability of the qualified entities to realize these incremental property tax revenues is dependent upon certain economic developments occurring in the future. Furthermore, the Bond Bank does not have the remedies, as described above, available should the qualified entities default due to the realization of insufficient incremental property tax revenues. Management, however, believes the amount of these obligations to be fully collectible. Additionally, the Bond Bank executed letter of credit arrangements with a bank to further secure the related indebtedness to the Bond Bank bondholders (see Note 4 and Note 5).

As of June 30, 2006 and 2005, the Bond Bank's Board of Directors authorized the purchase and subsequent leasing of equipment totaling approximately $10,369,221 and $1,825,891, respectively, through the Hoosier Equipment Lease Purchase Program. These lease receivables and related obligations are not reflected in the financial statements as the leases and related obligations have been assigned to a bank and the Bond Bank has been legally released from the obligations.

(4) Bonds and Notes Payable

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

Special Program Bonds:		2006	2005
Series 1995 B	(rates vary from 5.30% to 5.75% with maturities from February 1, 2007 to February 1, 2020)	$ 9,740,000	$ 10,185,000
Series 1997 A	(rates vary from 5.40% to 6.13% with maturities from February 1, 2007 to February 1, 2023)	4,975,000	5,190,000
Series 1997 C	(rates vary from 5.10% to 5.70% with maturities from August 1, 2006 to August 1, 2017)	4,290,000	4,540,000
Series 1997 D	(rate varies based on lowest available rate in interest period (weekly, monthly, quarterly, annually, or fixed) as selected by the qualified entity, not to exceed 10% per annum. Rate at June 30, 2006 was 1.15%, with maturities from January 1, 2007 to January 1, 2017) Rate at June 30, 2005 was 1.15%, with maturities from January 1, 2005 to January 1, 2017)	5,045,000	5,405,000
Series 1998 A	Refunding Bonds (rates vary from 4.30% to 4.75% with maturities from October 1, 2006 to October 1, 2011)	5,015,000	5,805,000
Series 1998 A	(rates vary from 4.1% to 5.0% with maturities from February 1, 2007 to February 1, 2020)	5,340,000	5,540,000
Series 2000 A	(rates vary from 5.25% to 6.13% with maturities from February 1, 2007 to February 1, 2025)	0	29,305,000
Series 2000 A	Refunding Bonds (rates vary from 5.25% to 6.4% with maturities from August 1, 2006 to February 1, 2020)	6,850,000	8,245,000
Series 2001 A	(rates vary from 4.25% to 5.13% with maturities from February 1, 2007 to February 1, 2022)	4,880,000	5,465,000
Series 2001 A	Refunding Bonds (rates vary from 5.0% to 5.5% with maturities from February 1, 2007 to February 1, 2022	14,345,000	15,720,000
Series 2001 B	(rates vary from 4.00% to 5.5% with maturities from February 1, 2007 to February 1, 2017)	7,550,000	8,070,000
Series 2002 A	(rates vary from 3.0% to 5.5% with maturities from October 1, 2006 to October 1, 2027)	39,315,000	40,545,000
Series 2002 B	(rate varies based on lowest available rate in interest period (weekly, monthly, quarterly, annually, or fixed) as selected by the qualified entity, not to exceed 10% per annum. Rate at June 30, 2005 and 2004 was 2.45% and 1.15%, respectively with maturities from January 1, 2007 to January 1, 2025)	5,615,000	5,690,000
Series 2002 C	(rates vary from 3.25% to 5.0% with maturities from February 1, 2007 to February 1, 2017)	2,555,000	3,005,000
Series 2002 D	(rates vary from 4.00% to 5.38% with maturities from April 1, 2007 to April 1, 2030)	55,430,000	56,630,000
Series 2002E	(rates vary from 2.40% to 5.25% with maturities from February 1, 2007 to February 1, 2023)	9,430,000	9,705,000
Series 2003 A	(rates vary from 2.75% to 5.25% with maturities from February 1, 2007 to February 1, 2033)	40,385,000	40,385,000
Series 2003 B	(rates vary from 2.0% to 5.0% with maturities from February 1, 2007 to February 1, 2023)	7,720,000	8,110,000
Series 2003 C	(rates vary from 2.0% to 5.0% with maturities from July 25, 2006 to January 1, 2016)	7,945,000	8,745,000
Series 2003 D	(rates vary from 3.0% to 5.0% with maturities from August 1, 2009 to February 1, 2025)	27,515,000	27,515,000
Series 2003 E	(rates vary from 2.0% to 5.0% with maturities from September 1, 2006 to September 1, 2025)	35,545,000	36,080,000

(CONTIINUED)

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Notes to Financial Statements

June 30, 2006 and 2005

Special Program Bonds, continued:			
Series 2003 F	(rates vary from 2.0% to 6.25% with maturities from August 1, 2006 to February 1, 2024)	$ 13,785,000	$ 16,230,000
Series 2004 A	(rates vary from 2.0% to 5.0% with maturities from January 15, 2007 to January 15, 2024)	16,540,000	17,050,000
Series 2004 B	(rates vary from 2.0% to 5.0% with maturities from February 1, 2007 to February 1, 2023)	16,485,000	17,265,000
Series 2004 C	(rates vary from 3.00% to 5.38% with maturities from February 1, 2007 to February 1, 2031)	35,010,000	35,010,000
Series 2004 D	(rates vary from 2.00% to 5.00% with maturities from February 1, 2007 to February 1, 2022)	28,985,000	29,275,000
Series 2005 A	(rates vary from 2.25% to 4.50% with maturities from August 1, 2006 to February 1, 2027)	14,400,000	14,790,000
Series 2005 B	(rates vary from 3.75% to 4.15% with maturities from August 15, 2007 to February 15, 2020)	8,935,000	—
Series 2005 C	(rates vary from 3.50% to 4.25% with maturities from June 1, 2007 to June 1, 2026)	11,160,000	—
Series 2005 D	(rates vary from 3.50% to 5.00% with maturities from August 1, 2007 to August 1, 2028)	4,505,000	—
Series 2006 B-1	(rates vary from 3.65% to 5.00% with maturities from September 1, 2007 to March 1, 2027)	12,400,000	—
Series 2006 B-2	(rates vary from 5.50% to 5.80% with maturities from August 1, 2007 to September 1, 2017)	2,890,000	—
Series 2006 A (Ref)	(rates vary from 4.00% to 5.125% with maturities from August 1, 2006 to September 1, 2024)	26,485,000	—
Series 2006 C	(rates vary from 4.25% to 5.00% with maturities from February 1, 2009 to February 1, 2023)	20,660,000	—
Total Special Program Bonds		511,725,000	469,500,000
Advance Funding Program Notes:			
Series 2005 A	(interest rate of 3.25% maturing on January 26, 2006)	—	537,050,000
Series 2005 Lake	(interest rate varies from 2.79% to 2.84% and matures on January 4, 2006)	—	71,510,000
Series 2005	Midyear (interest rate of 3.50% maturing on January 27, 2006)	—	43,120,000
Series 2005 Lake	Midyear (interest rate of 3.20% maturing on January 4, 2006)	—	89,865,000
Series 2005	Replacement (interest rate of 3.50% maturing on December 31, 2005)	—	6,615,000
Series 2006 Lake	(rates vary from 3.96% to 4.01% with maturities from July 3, 2006 to January 2, 2007)	77,100,000	—
Series 2006 A	(interest rate of 4.50% maturing on February 1, 2007)	296,440,000	—
Series 2006 Lake	Midyear (interest rate of 4.25% maturing on January 3, 2007)	13,390,000	—
Series 2006	Midyear (interest rate of 4.50% maturing on February 2, 2007)	48,905,000	—
Total Advance Funding Program Notes		435,835,000	748,160,000
State Revolving Fund Bonds:			
Series 1997 A	State Match (rates vary from 4.6% to 5.38% with maturities from February 1, 2006 to February 1, 2019)	—	76,835,000
Series 1998 A	(rates vary from 4.1% to 5.0% with maturities from February 1, 2006 to February 1, 2020)	—	78,365,000
Series 2000 A	(rates vary from 5.00% to 5.88% with maturities from August 1, 2005 to August 1, 2022)	—	130,060,000
Series 2000 B	(rates vary from 5.00% to 5.35% with maturities from August 1, 2019 to August 1, 2023)	—	100,000,000
Series 2001 A	(rates vary from 3.60% to 5.50% with maturities from August 1, 2005 to February 1, 2023)	—	396,685,000
Series 2002A	(rates vary from 2.96% to 4.84% with maturities from February 1, 2006 to February 1, 2013)	—	62,090,000
Series 2002B	(rates vary from 4.0% to 5.38% with maturities from February 1, 2013 to February 1, 2024)	—	66,695,000
Series 2004 A	(rates vary from 1.74% to 3.98% with maturities from February 1, 2006 to February 1, 2012)	—	101,300,000
Series 2004 B	(rates vary from 4.0% to 5.0% with maturities from February 1, 2006 to February 1, 2025)	—	196,390,000
Series 2004 C	(rates vary from 5.0% to 5.25% with maturities from February 1, 2006 to February 1, 2027)	—	200,000,000
Total State Revolving Fund Bonds		—	1,408,420,000

(CONTINUED)

		2006	2005
Common School Fund Bonds:			
Series 1996 A	(rates vary from 5.20% to 5.75% with maturities from August 1, 2006 to August 1, 2013)	$ 4,215,000	$ 4,960,000
Series 1999 A	(rates vary from 4.10% to 5.00% with maturities from February 1, 2007 to February 1, 2014)	26,760,000	33,260,000
Series 2001	(rates vary from 4.00% to 5.00% with maturities from February 1, 2007 to February 1, 2019)	32,295,000	39,530,000
Series 2003 A and B	(rates vary from 2.00% to 5.75% with maturities from August 1, 2006 to February 1, 2020)	122,600,000	129,195,000
Total Common School Fund Bonds		185,870,000	206,945,000
School Severance Program Bonds:			
Series 1	(rates vary from 4.34% to 6.30% with maturities from July 15, 2006 to January 15, 2018)	42,035,000	47,320,000
Series 2	(rates vary from 2.91% to 5.72% with maturities from July 15, 2006 to July 15, 2023)	29,055,000	30,525,000
Series 3	(rates vary from 2.85% to 5.85% with maturities from July 15, 2006 to January 15, 2023)	59,500,000	64,250,000
Series 4	(rates vary from 1.78% to 5.07% with maturities from July 15, 2006 to January 15, 2024)	44,995,000	47,545,000
Series 5A	(rates vary from 2.06% to 5.82% with maturities from July 15, 2006 to January 15, 2024)	165,670,000	176,225,000
Series 5B	(interest rate of 5.05% with maturities from July 15, 2006 to January 15, 2019)	13,790,000	14,525,000
Series 5C	(interest rate of 5.15% with maturities from July 15, 2006 to January 15, 2019)	3,635,000	3,825,000
Series 6A	(rates vary from 2.42% to 6.24% with maturities from July 15, 2006 to January 15, 2025)	155,015,000	162,995,000
Series 6B	(interest rate of 5.79% with maturities from July 15, 2006 to January 15, 2025)	14,235,000	14,690,000
Series 7A	(rates vary from 2.40 to 5.73% with maturities from July 15, 2006 to January 15, 2030)	103,350,000	107,675,000
Series 7B	(rates vary from 3.03% to 5.30% with maturities from July 15, 2006 to January 15, 2020)	12,400,000	12,885,000
Series 8A	(rates vary from 2.65% to 5.64% with maturities from July 15, 2006 to January 15, 2029)	131,740,000	136,920,000
Series 8B	(rates vary from 3.35% to 5.49% with maturities from January 15, 2007 to January 15, 2026)	69,965,000	70,540,000
Series 9	(rates vary from 2.68% to 5.53% with maturities from July 15, 2006 to January 15, 2026)	36,140,000	36,880,000
Series 10	(rates vary from 4.74% to 5.68% with maturities from July 15, 2006 to January 15, 2031)	57,665,000	—
Series 11	(rates vary from 5.44% to 6.20% with maturities from July 15, 2007 to January 15, 2029)	121,670,000	—
Total Taxable School Severance Bonds		1,060,860,000	926,800,000
Totals		2,194,290,000	3,759,825,000
Add net unamortized premium		20,681,055	63,204,254
Less deferred charge on refunding		(1,966,799)	(4,535,712)
Total bonds and notes payable		2,213,004,256	3,818,493,542
Less current portion		(537,148,612)	(884,954,186)
Noncurrent portion of bonds and notes payable		$ 1,675,855,644	$ 2,933,539,356

The bonds and notes payable listed above were issued under respective indentures of trust. Each indenture requires the maintenance of various trust accounts, and several of the bonds and notes payable require debt service reserve accounts. Assets held in debt service reserve accounts are included in investments and amounted to $13,182,778 and $17,205,152 at June 30, 2006 and 2005, respectively.

The faith, credit and taxing power of the State of Indiana or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, the following series of Bond Bank bonds are fully insured by a private insurer at June 30, 2006.

- Special Program Bonds
  - Series 1998 A (payments from February 1, 2009 through February 1, 2017)
  - Series 2001 Refunding
  - Series 2001 B
  - Series 2002 A
  - Series 2002 C
  - Series 2002 D
  - Series 2002 E
  - Series 2003 A
  - Series 2003 B
  - Series 2003 C
  - Series 2003 D
  - Series 2003 E
  - Series 2003 F
  - Series 2004 A
  - Series 2004 B
  - Series 2004 C
  - Series 2004 D
  - Series 2005 A
  - Series 2005 B
  - Series 2005 C
  - Series 2005 D
  - Series 2006 A Refunding
  - Series 2006 B
  - Series 2006 C
- Common School Fund Bonds
  - Series 1996 A
  - Series 1999 A
  - Series 2001 A
  - Series 2003 A & B
- Taxable School Severance Funding Bonds
  - Series 1
  - Series 2
  - Series 3

Series 4
Series 5 A, B & C
Series 6 A & B
Series 7 A & B
Series 8 A & B
Series 9
Series 10
Series 11

The Bond Bank is required under the trust indentures of certain series of Special Program Bonds to enter into letter of credit arrangements with banks in order to secure the indebtedness. The amounts eligible to be drawn and the renewal dates of these arrangements at June 30, 2006 are as follows:

Series	Eligible amount	Renews in fiscal year
1997 D	$ 7,096,425	2008
2002 B	5,872,500	2008

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

The amounts eligible to be drawn under these arrangements at June 30, 2006 are as follows:

Series	Eligible amount
Advance Funding Program, Series 2006 A	$ 35,572,800
Advance Funding Program, Series 2006 A (Midyear)	4,401,450
Special Program Bonds, Series 2002 A	3,185,294
Special Program Bonds, Series 2002 C	394,000
Special Program Bonds, Series 2002 D	4,115,638
Special Program Bonds, Series 2002 E	895,613
Special Program Bonds, Series 2003 A	2,701,399
Special Program Bonds, Series 2003 B	802,606
Special Program Bonds, Series 2003 D	2,531,875
Special Program Bonds, Series 2003 F-1 & F-2	1,537,104
Special Program Bonds, Series 2004 A	1,354,712
Special Program Bonds, Series 2004 B	1,505,794
Special Program Bonds, Series 2004 C	2,514,999
Special Program Bonds, Series 2004 D	2,599,927
Special Program Bonds, Series 2005 A	1,212,444
Special Program Bonds, Series 2005 D	329,062
Special Program Bonds, Series 2006 A (Ref)	2,186,637
Special Program Bonds, Series 2006 B-1	1,259,641

In the event of a draw on either a letter or line of credit facility, each borrowing will bear an interest rate based upon a series of optional rates as specified in the particular agreement. No draws were made against any debt service reserve account, letter, or line of credit facility during the years ended June 30, 2006 or 2005.

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

		Principal	Interest
Year ending June 30:			
2007	$	532,955,000	99,470,131
2008		96,950,000	81,770,334
2009		100,545,000	77,796,884
2010		105,155,000	73,428,366
2011		109,570,000	68,673,317
2012 – 2016		534,545,000	265,527,875
2017 – 2021		419,990,000	138,581,642
2022 – 2026		231,215,000	45,924,110
2027 – 2031		58,345,000	8,914,754
2032 – 2036		5,020,000	379,500
		2,194,290,000	860,466,913
Add unamortized premium		20,681,055	
Less deferred charge		(1,966,799)	
	$	2,213,004,256	

Prior to July 1, 2006, the Bond Bank issued $47,760,000 of debt on behalf of seventeen not-for-profit qualified water utilities. At June 30, 2006 and 2005, the balance outstanding for these qualified water utilities totaled $24,472,777 and $25,449,809, respectively. Under the provisions of these debt issues, the bonds are payable solely from the revenues generated by the qualified water utilities. This debt does not constitute a general or moral obligation of the Bond Bank nor are debt service reserve funds maintained for these debt issues. The Bond Bank is not obligated in any manner for repayment of the bonds. For these reasons, the Bond Bank has not recorded these debt issues and the related utilities' obligations in the accompanying financial statements.

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

(continued)

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

Bonds and notes payable–face amount	$	2,194,290,000
Less: Debt recorded which does not require reserve funds		1,707,175,000
Debt outstanding for statutory debt limit purposes at June 30, 2006		487,115,000
Available remaining debt limit for statutory purposes		512,885,000
Statutory debt limit	$	1,000,000,000

Special Program Bonds Series 1985 A, and 1997 B are considered to have been defeased and have been removed from the financial statements and in total have remaining outstanding principal balances of approximately $35,035,000 and $38,740,000 at June 30, 2006 and 2005, respectively.

During 2006, the Bond Bank issued Special Program Bonds Series 2006 A in the amount of $26,485,000. A portion of the proceeds from the issue plus contributions from the underlying qualifying entity were used to refund Special Program Bonds Series 2000 A which were outstanding in the amount of $28,490,000 at June 30, 2006. The cash flow difference between the debt service on the Special Program Bonds, Series 2000 A and the new debt is $4,206,407 and the economic gain is $6,477,751. During the year, the lessee replaced the qualified obligations of the lessor with qualified obligations of its own. The new qualified obligations issued were in total $605,000 greater than the existing bonds. The result of this debt restructuring was a gain to the Bond Bank in the amount of $605,000. The net effect of the restructuring was a gain of $13,303 which was included in deferred revenue.

During 2005, the Bond Bank issued Special Program Bonds Series 2005 A in the amount of $14,790,000. A portion of the proceeds from this issue were used to refund Special Program Bonds Series 1995 A which were outstanding in the amount of $3,300,000. The cash flow difference between the debt service on the Special Program Bonds, Series 1995 A and the new debt is $426,602 and the economic gain is $22,840.

(continued)

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

	Beginning balance	Increases	Decreases	Ending balance	Due within one year
2006					
Bonds and notes payable	$ 2,374,458,296	$ 707,142,924	$ 866,630,165	$ 2,214,971,055	$ 537,148,612
Less deferred amounts	2,993,678	591,697	1,618,576	1,966,799	—
	2,371,464,618	706,551,227	865,011,589	2,213,004,256	537,148,612
Deferred revenues	511,663	13,303	4,043	520,923	—
Total	$ 2,371,976,281	$ 706,564,530	$ 865,015,632	$ 2,213,525,179	$ 537,148,612
2005					
Bonds and notes payable	$ 3,981,371,237	$ 1,364,530,302	$ 1,522,872,286	$ 3,823,029,253	$ 884,954,186
Less deferred amounts	5,380,615	228,930	1,073,834	4,535,711	—
	3,975,990,622	1,364,301,372	1,521,798,452	3,818,493,542	884,954,186
Deferred Revenues	597,120	—	85,457	511,663	—
Total	$ 3,976,587,742	$ 1,364,301,372	$ 1,521,883,909	$ 3,819,005,205	$ 884,954,186

The beginning balance for 2006 is net of the SRF balances as of June 30, 2006. See Note 8 for explanation.

(5) Concentrations of Credit

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

County	Qualified Obligations Receivable	Concentration Percentage
Marion	$ 218,295,257	10.47%
Lake	197,183,685	9.46%
Hendricks	140,164,312	6.72%
St. Joseph	96,780,490	4.64%
Allen	77,385,600	3.71%
Madison	77,814,521	3.73%

No other county has a concentration over 3.0% of the total qualified obligations receivable at June 30, 2006.

(6) Employee Benefits

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

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

Employer contributions for the years ended June 30, 2006 and 2005 were $6,527 and $6,922, respectively. Covered payroll for the same periods amounted to $173,526 and $182,619, respectively. Separate information concerning the accumulated benefit obligation and actuarially determined benefit obligation is not material to the financial position of the Bond Bank and, accordingly, is not presented.

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

(continued)

(7) Operating Leases

The Bond Bank leases office space as well as office equipment under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2006:

		Payments
Year ending June 30:		
2007	$	55,200
2008		55,812
2009		54,128
2010		24,768
Total	$	189,908

In addition to the minimum lease payments, the Bond Bank is required to pay insurance, taxes and a proportional share of operating costs in excess of a basic level for the office space. The aggregate rental expense charged to operations was $53,969 and $50,965 for 2006 and 2005, respectively.

(8) Noncash Activities

As of July 1, 2005, the Bond Bank relinquished control of the State Revolving Fund Program to the Indiana Finance Authority per legislation enacted during the 2005 session of the Indiana General Assembly (P:L. 235-2005). The result of this was a noncash removal of the program's assets, liabilities, and net assets from the Bond Bank's financial statements. The amounts at the time of removal were as follows:

Schedule of removed assets and liabilities

Assets		
Qualified obligations receivable	$ 1,435,293,573	
Accrued interest receivable	25,821,066	
Deferred debt issuance costs, net	11,261,206	
Total assets		$ 1,472,375,845
Liabilities		
Bonds and notes payable	1,447,028,924	
Accrued interest payable	25,821,066	
Total liabilities		1,472,849,990
Net assets (deficiency)		$ (474,145)

(9) Subsequent Events

Subsequent to June 30, 2006, the Bond Bank Board approved pool applications for Butler Municipal Water Utility in an amount not to exceed $810,000, for Charlestown Municipal Water Utility in an amount not to exceed $1,860,000, for Mitchell Municipal Water Utility in an amount not to exceed $5,825,000, and for New Castle Municipal Water Utility in an amount not to exceed $855,000.

The Board of Directors has authorized financing of equipment purchases amounting to $5,068,821 through the Hoosier Equipment Lease Program. Lease financings have occurred for $3,447,866 of the aforementioned amount. The Bond Bank has not recorded these leases and their related obligations in its financial statements as the leases and related obligations have been assigned to a bank.

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Supplemental Schedule of Net Assets Information by Program Type

June 30, 2006

Assets	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Warrant Assistance Notes	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 5,318,429	$ 44,842,255	$ 11,747,385	$ —	$ 1,087,539	$ —	$ 29,528,318	$ —	$ —	$ 92,523,926
Accounts Receivable	—	—	28,978	—	—	—	—	—	—	28,978
Qualified obligations receivable	18,273,800	390,156,580	—	—	15,513,835	—	37,900,938	—	—	461,845,153
Accrued interest receivable	6,658,925	5,626,142	—	—	4,212,662	—	12,743,462	—	—	29,241,191
Interfund receivables	19,628	—	281,052	—	—	—	—	—	(300,680)	—
Total current assets	30,270,782	440,624,977	12,057,415	—	20,814,036	—	80,172,718	—	(300,680)	583,639,248
Noncurrent assets:										
Investments, at fair value	25,216,155	5,190,623	—	—	1,330,989	—	5,912,519	—	—	37,650,286
Qualified obligations receivable	462,115,515	—	—	—	176,023,255	—	984,918,571	—	—	1,623,057,341
Deferred debt issuance costs, net	9,209,088	480,281	—	—	1,817,097	—	11,729,581	—	—	23,236,047
Deferred acceptance and capital assets	—	—	—	—	—	—	—	—	—	—
Total noncurrent assets	496,540,758	5,670,904	—	—	179,171,341	—	1,002,560,671	—	—	1,683,943,674
Total assets	526,811,540	446,295,881	12,057,415	—	199,985,377	—	1,082,733,389	—	(300,680)	2,267,582,922
Liabilities										
Current liabilities:										
Bonds and notes payable	19,735,305	437,990,683	—	—	21,744,597	—	57,678,027	—	—	537,148,612
Accrued interest payable	7,689,748	7,063,442	—	—	3,644,742	—	21,766,094	—	—	40,164,026
Accounts payable	195,635	—	17,565	—	300	—	—	—	—	213,500
Interfund payables	300,680	—	—	—	—	—	—	—	(300,680)	—
Total current liabilities	27,921,368	445,054,125	17,565	—	25,389,639	—	79,444,121	—	(300,680)	577,526,138
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	498,086,405	—	—	—	174,669,658	—	1,003,099,581	—	—	1,675,855,644
Deferred revenues	39,186	—	481,737	—	—	—	—	—	—	520,923
Total noncurrent liabilities	498,125,591	—	481,737	—	174,669,658	—	1,003,099,581	—	—	1,676,376,567
Total liabilities	526,046,959	445,054,125	499,302	—	200,059,297	—	1,082,543,702	—	(300,680)	2,253,902,705
Net Assets										
Invested in capital assets	—	—	—	—	—	—	—	—	—	—
Restricted for debt service	764,581	1,241,756	—	—	(73,920)	—	189,687	—	—	2,122,104
Unrestricted	—	—	11,558,113	—	—	—	—	—	—	11,558,113
Total net assets	$ 764,581	$ 1,241,756	$ 11,558,113	$ —	$ (73,920)	$ —	$ 189,687	$ —	$ —	$ 13,680,217

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Supplemental Schedule of Net Assets Information by Program Type

June 30, 2005

Assets	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Warrant Assistance Notes	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 5,759,980	$ 30,411,334	$ 11,309,048	$ —	$ 1,021,159	$ —	$ 24,345,723	$ 20,983	$ —	$ 72,868,227
Qualified obligations receivable	12,656,600	683,281,862	—	46,695,000	21,295,919	—	31,917,115	6,655,045	—	802,501,541
Accrued interest receivable	6,779,544	6,887,246	—	25,821,066	4,901,395	—	13,890,416	—	—	58,279,667
Interfund receivables	261,172	—	281,052	—	—	—	—	—	(542,224)	—
Total current assets	25,457,296	720,580,442	11,590,100	72,516,066	27,218,473	—	70,153,254	6,676,028	(542,224)	933,649,435
Noncurrent assets:										
Investments, at fair value	29,257,451	33,177,373	—	—	1,165,204	—	5,316,017	—	—	68,916,045
Qualified obligations receivable	420,894,034	—	—	1,388,598,573	192,064,386	—	863,131,556	—	—	2,864,688,549
Deferred debt issuance costs, net	8,446,033	851,428	—	11,261,206	2,206,485	—	10,915,673	—	—	33,680,825
Deferred acceptance and capital assets	—	—	21,217	—	—	—	—	—	—	21,217
Total noncurrent assets	458,597,518	34,028,801	21,217	1,399,859,779	195,436,075	—	879,363,246	—	—	2,967,306,636
Total assets	484,054,814	754,609,243	11,611,317	1,472,375,845	222,654,548	—	949,516,500	6,676,028	(542,224)	3,900,956,071
Liabilities										
Current liabilities:										
Bonds and notes payable	16,414,723	744,814,213	—	49,655,557	22,745,254	—	44,709,439	6,615,000	—	884,954,186
Accrued interest payable	7,962,778	8,858,226	—	25,821,066	4,032,684	—	22,564,236	—	—	69,238,990
Accounts payable	208,435	—	86,815	—	300	—	—	—	—	295,550
Interfund payables	538,878	—	—	—	—	—	3,346	—	(542,224)	—
Total current liabilities	25,124,814	753,672,439	86,815	75,476,623	26,778,238	—	67,277,021	6,615,000	(542,224)	954,488,726
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	458,046,323	—	—	1,397,373,367	195,950,230	—	882,169,436	—	—	2,933,539,356
Deferred revenues	29,926	—	481,737	—	—	—	—	—	—	511,663
Total noncurrent liabilities	458,076,249	—	481,737	1,397,373,367	195,950,230	—	882,169,436	—	—	2,934,051,019
Total liabilities	483,201,063	753,672,439	568,552	1,472,849,990	222,728,468	—	949,446,457	6,615,000	(542,224)	3,888,539,745
Net Assets										
Invested in capital assets	—	—	21,217	—	—	—	—	—	—	21,217
Restricted for debt service	853,751	936,804	—	(474,145)	(73,920)	—	70,043	61,028	—	1,373,561
Unrestricted	—	—	11,021,548	—	—	—	—	—	—	11,021,548
Total net assets	$ 853,751	$ 936,804	$ 11,042,765	$ (474,145)	$ (73,920)	$ —	$ 70,043	$ 61,028	$ —	$ 12,416,326

Indiana Bond Bank
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Supplemental Schedule of Revenues and Expenses Information by Program Type

Year Ended June 30, 2006

	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Warrant Assistance Notes	Total
Operating revenues:									
Interest income	$ 22,962,397	$ 18,456,289	$ —	$ —	$ 8,515,974	$ —	$ 47,477,501	$ 461,737	$ 97,873,898
Acceptance and administration fees	—	—	393,091	—	—	—	—	—	393,091
Total operating revenues	22,962,397	18,456,289	393,091	—	8,515,974	—	47,477,501	461,737	98,266,989
Operating expenses:									
Interest	22,142,642	16,074,317	—	—	8,091,309	—	45,720,814	457,677	92,486,759
Amortization of debt issuance costs	795,990	1,362,546	—	—	389,387	—	1,604,471	—	4,152,394
General and administrative	45,290	314,938	779,329	—	35,278	—	32,572	8,745	1,216,152
Total operating expenses	22,983,922	17,751,801	779,329	—	8,515,974	—	47,357,857	466,422	97,855,305
Operating income (loss)	(21,525)	704,488	(386,238)	—	—	—	119,644	(4,685)	411,684
Nonoperating revenues									
Interest income on investments	—		378,062	—	—	—	—	—	378,062
Change in net assets before transfers	(21,525)	704,488	(8,176)	—	—	—	119,644	(4,685)	789,746
Transfers	(67,645)	(399,536)	523,524					(56,343)	—
Change in net assets	$ (89,170)	$ 304,952	$ 515,348	$ —	$ —	$ —	$ 119,644	$ (61,028)	$ 789,746

Indiana Bond Bank
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Supplemental Schedule of Revenues and Expenses Information by Program Type

Year Ended June 30, 2005

	Special Program	Advance Funding Program	Operating Program	State Revolving Fund Program	Common School Fund Program	School Building Program	School Severance Program	Year End Warrant Assistance Program	Total
Operating revenues:									
Interest income	$ 22,928,250	$ 16,158,527	$ —	$ 66,435,163	$ 8,838,933	$ 1,068,874	$ 38,905,998	$ 3,171,007	$ 157,506,752
Acceptance and administration fees	—	—	1,081,908	—	—	—	—	—	1,081,908
Total operating revenues	22,928,250	16,158,527	1,081,908	66,435,163	8,838,933	1,068,874	38,905,998	3,171,007	158,588,660
Operating expenses:									
Interest	21,520,956	13,849,755	—	64,746,260	8,371,460	948,081	37,717,382	3,083,655	150,237,549
Amortization of debt issuance costs	997,877	2,100,671	—	1,487,053	438,124	109,615	1,180,000	—	6,313,340
General and administrative	206,559	144,285	1,005,352	2,538	12,516	—	22,766	1,811	1,395,827
Total operating expenses	22,725,392	16,094,711	1,005,352	66,235,851	8,822,100	1,057,696	38,920,148	3,085,466	157,946,716
Operating income (loss)	202,858	63,816	76,556	199,312	16,833	11,178	(14,150)	85,541	641,944
Nonoperating revenues									
Interest income on investments	—	—	204,620	—	—	—	—	—	204,620
Change in net assets before transfers	202,858	63,816	281,176	199,312	16,833	11,178	(14,150)	85,541	846,564
Transfers	(27,576)	(262,979)	316,911	—	—	(893)	—	(25,463)	—
Change in net assets	$ 175,282	$ (199,163)	$ 598,087	$ 199,312	$ 16,833	$ 10,285	$ (14,150)	$ 60,078	$ 846,564