INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT WITH
SUPPLEMENTARY AND OTHER INFORMATION

June 30, 2014 and 2013

KATZ
SAPPER
& MILLER

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

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Independent Auditors' Report

Board of Directors
Indiana Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Bond Bank, a component unit of the State of Indiana, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Indiana Bond Bank as of June 30, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

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Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2014, the Indiana Bond Bank adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 9 and the retirement plan schedule of funding progress and employer contributions on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary schedules of net position information by program type and schedules of revenues, expenses and changes in net position information by program type on pages 34 through 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2014, on our consideration of Indiana Bond Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Bond Bank's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 16, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2014. Please read it in conjunction with the Bond Bank's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- Proceeds from bonds and notes payable issued during the year totaled $243,734,000, including $163,171,000 of Advance Funding Notes.
- Repayments of bonds and notes payable totaled $453,753,000, including $189,624,000 of Advance Funding Notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide information about the Bond Bank's financial status and the change in financial status. The Statement of Net Position includes all of the Bond Bank's assets, liabilities, deferred inflows, deferred outflows and net position. Assets and liabilities are classified as either current or noncurrent. The Statement of Revenues, Expenses and Changes in Net Position 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 Position and Statements of Revenues, Expenses and Changes in Net Position by program type.

(Continued)

FINANCIAL ANALYSIS OF THE BOND BANK

The condensed financial information presented here was restated for the prior fiscal years of 2013 and 2012 due to the adoption of Government Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The impact on the statement of net position was to write off debt issuance costs which no longer meet the definition of an asset under GASB 65 and should be expensed in the period incurred. The impact on the statement of revenues, expenses and net position was to reflect debt issuance costs as expense when incurred.

The following table is a condensed summary of financial information as of and for the years ended June 30, 2014, 2013 and 2012:

	2014	Restated 2013	Restated 2012
Net Position			
Current assets	$ 316,555,000	$ 350,186,000	$ 385,892,000
Noncurrent assets	1,309,907,000	1,484,689,000	1,692,390,000
Total Assets	1,626,462,000	1,834,875,000	2,078,282,000
Deferred Outflows of Resources	29,801,000	29,832,000	21,139,000
Current liabilities	313,335,000	347,476,000	379,175,000
Noncurrent liabilities	1,330,893,000	1,508,093,000	1,708,964,000
Total Liabilities	1,644,228,000	1,855,569,000	2,088,139,000
Restricted for debt service	(3,546,000)	(6,428,000)	(4,287,000)
Unrestricted	15,581,000	15,566,000	15,569,000
Total Net Position	$ 12,035,000	$ 9,138,000	$ 11,282,000
Revenues, Expenses and Changes in Net Position			
Operating Revenues:			
Interest income	$ 67,395,000	$ 80,015,000	$ 95,718,000
Acceptance and administration fees	706,000	794,000	545,000
Total Operating Revenues	68,101,000	80,809,000	96,263,000
Operating Expenses:			
Interest	61,380,000	76,414,000	90,359,000
Debt issuance costs	2,835,000	5,208,000	2,688,000
General and administrative	1,055,000	1,515,000	1,578,000
Total Operating Expenses	65,270,000	83,137,000	94,625,000
Operating Income	2,831,000	(2,328,000)	1,638,000
Nonoperating Revenue	66,000	184,000	239,000
Change in Net Position	2,897,000	(2,144,000)	1,877,000
Net Position - Beginning of Year	9,138,000	11,282,000	9,405,000
Net Position - End of Year	$ 12,035,000	$ 9,138,000	$ 11,282,000

(Continued)

Statement of Net Position

Total assets and deferred outflows of resources, and total liabilities and net position decreased by approximately $208 million in 2014 from 2013. The decrease in the current qualified obligations receivable resulted primarily from a lower balance outstanding on the Advanced Funding and School Severance Note Programs. Similarly, there was a corresponding decrease in the current bonds and notes payable due to a lower outstanding balance on the Advanced Funding and School Severance Note Programs. The decrease in the noncurrent qualified obligations receivable was due to a lower balance in the non-current qualified obligations receivable of all other programs, as well as, the issuance of refunding credits related to the School Severance Program. Included in the other current assets are cash and cash equivalents, and accrued interest receivable. Accrued interest payable and accounts payable are included in other current liabilities as well.

Statement of Net Position Reconciliation - 2014

Total Assets as of June 30, 2013 (Restated)		$ 1,834,875,000
Decrease in current qualified obligations receivable	$ (26,267,000)	
Decrease in other current assets	(7,364,000)	
Decrease in noncurrent qualified obligations receivable	(174,377,000)	
Decrease in other noncurrent assets	(405,000)	
Total Decrease in Assets		(208,413,000)
Total Assets as of June 30, 2014		$ 1,626,462,000
Total Deferred Outflows of Resources as of June 30, 2013 (Restated)		$ 29,832,000
Accumulated decrease in fair value of interest rate swaps	$ (1,946,000)	
Increase in deferred refunding costs	1,915,000	
Total Decrease in Deferred Outflows of Resources		(31,000)
Total Deferred Outflows of Resources as of June 30, 2014		$ 29,801,000
Total Liabilities and Net Position as of June 30, 2013 (Restated)		$ 1,864,707,000
Increase in net position	$ 2,897,000	
Decrease in current bonds and notes payable	(32,850,000)	
Decrease in other current liabilities	(1,291,000)	
Decrease in noncurrent bonds and notes payable	(175,253,000)	
Decrease in other noncurrent liabilities	(1,947,000)	
Total Decrease in Liabilities and Net Position		(208,444,000)
Total Liabilities and Net Position as of June 30, 2014		$ 1,656,263,000

Total assets and deferred outflows of resources, and total liabilities and net position decreased by approximately $235 million in 2013 from 2012. The decrease in the current qualified obligations receivable resulted primarily from a lower balance outstanding on the Advanced Funding Note Program. Similarly, there was a corresponding decrease in the current bonds and notes payable due to a lower outstanding balance on the Advanced Funding Note Program. The decrease in the noncurrent qualified obligations receivable was due to repayment of loans and there being only one Special Program bond issues. There is a corresponding decrease in outstanding noncurrent bonds and notes payable. Included in current assets are cash and cash equivalents and accrued interest receivable. Accrued interest payable and accounts payable are included in current liabilities as well.

Statement of Net Position Reconciliation - 2013

Total Assets as of June 30, 2012 (Restated)		$ 2,078,282,000
Decrease in current qualified obligations receivable	$ (24,058,000)	
Decrease in other current assets	(11,648,000)	
Decrease in noncurrent qualified obligations receivable	(207,200,000)	
Decrease in other noncurrent assets	(501,000)	
Total Decrease in Assets		(243,407,000)
Total Assets as of June 30, 2013 (Restated)		$ 1,834,875,000
Total Deferred Outflows of Resources as of June 30, 2012 (Restated)		$ 21,139,000
Accumulated decrease in fair value of interest rate swaps	$ (383,000)	
Increase in deferred refunding costs	9,076,000	
Total Increase in Deferred Outflows of Resources		8,693,000
Total Deferred Outflows of Resources as of June 30, 2013 (Restated)		$ 29,832,000
Total Liabilities and Net Position as of June 30, 2012 (Restated)		$ 2,099,421,000
Decrease in net position	$ (2,144,000)	
Decrease in current bonds and notes payable	(20,485,000)	
Decrease in other current liabilities	(11,214,000)	
Decrease in noncurrent bonds and notes payable	(198,229,000)	
Decrease in other noncurrent liabilities	(2,642,000)	
Total Decrease in Liabilities and Net Position		(234,714,000)
Total Liabilities and Net Position as of June 30, 2013 (Restated)		$ 1,864,707,000

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 4.5% for 2014, 4.7% for 2013 and 5.0% for 2012 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 $88,000 from 2013 to 2014, and increased $249,000 from 2012 to 2013.

Operating expenses include interest expense on bonds and notes payable. Interest expense for the year represented 3.9% for 2014, 4.3% for 2013 and 4.5% for 2012 of the related bonds and notes payable balance. Also included in operating expenses is 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 position in 2014 increased in total approximately $2,897,000. Net position in 2014 restricted for debt service increased approximately $2,882,000 and unrestricted net position increased approximately $15,000. In comparison, net position in 2013 decreased approximately $2,144,000. Net position in 2013 restricted for debt service decreased approximately $2,141,000 and unrestricted net position decreased approximately $3,000.

DEBT ADMINISTRATION

Below is a listing of the amount of debt issued by program for the fiscal years ended June 30, 2014, 2013 and 2012:

Programs	2014	2013	2012
Special Program	$ -	$ 63,805,000	$ 33,020,000
Advance Funding Program	163,173,616	197,628,000	261,456,920
School Severance Program	84,280,000	286,045,000	30,250,000
Common School Fund Program	-	-	50,165,000

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 2014, the graph in the middle depicts 2013 and the graph on the bottom shows 2012. The composition by program has changed due to the combination of new bonds issued and maturation of old bonds during each of the years.

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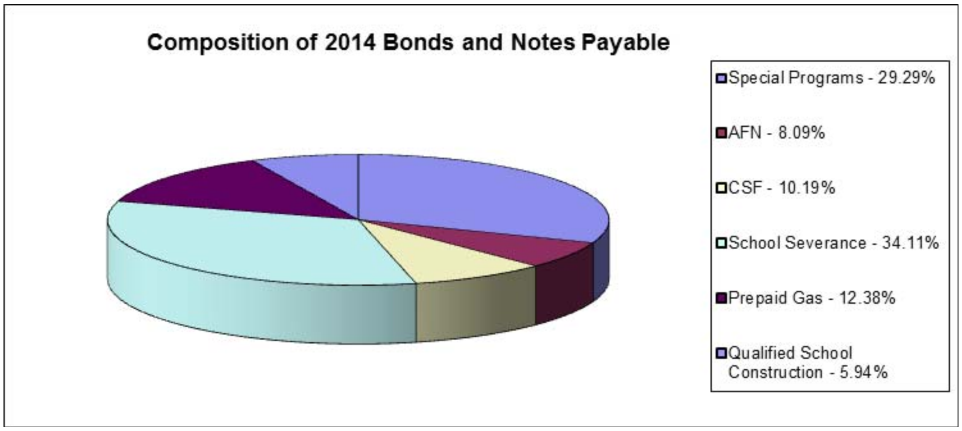

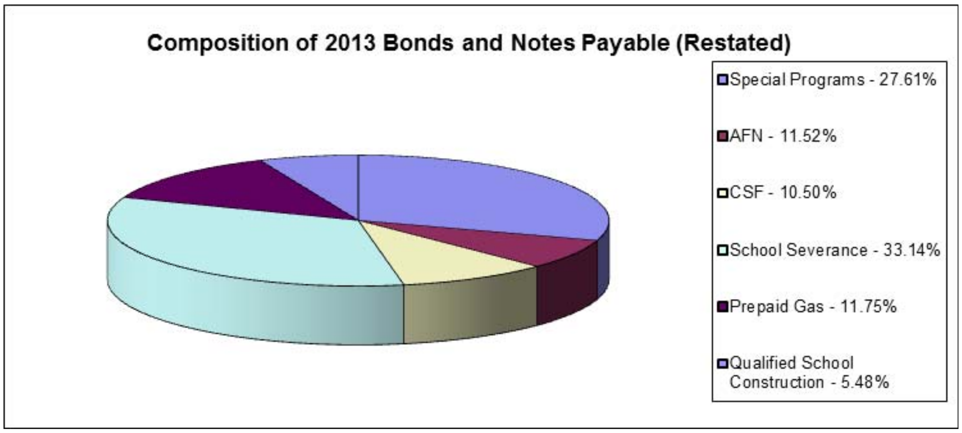

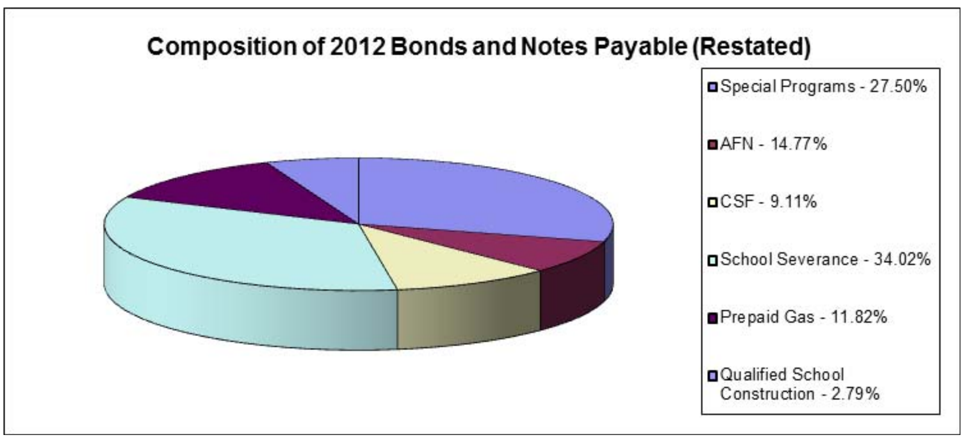

The Bond Bank's bond and note issues are rated A+ to AAA by the national rating agencies. The ratings are based on the financing program structure.

REQUESTS OF INFORMATION

The financial report is designed to provide a general overview of the Bond Bank's finances for all those with an interest in the Bond Bank's finances. Questions concerning any of the information should be addressed to the Indiana Bond Bank, 10 West Market Street, Suite 2980, Indianapolis, Indiana 46204.

FINANCIAL STATEMENTS

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

	2014	Restated 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 84,908,460	$ 89,339,715
Qualified obligations receivable	214,424,221	240,692,333
Accrued interest receivable	17,221,840	20,154,420
Total Current Assets	316,554,521	350,186,468
Noncurrent assets:		
Investments, at fair value	28,545,730	29,273,453
Qualified obligations receivable, net of current portion	1,281,361,035	1,455,414,865
Total Noncurrent Assets	1,309,906,765	1,484,688,318
Total Assets	1,626,461,286	1,834,874,786
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated decrease in fair value of interest rate swaps	12,288,000	14,234,000
Deferred refunding costs	17,512,798	15,597,829
Total Deferred Outflows of Resources	29,800,798	29,831,829
LIABILITIES		
Current liabilities:		
Bonds and notes payable	259,304,430	292,154,699
Accrued interest payable	20,318,795	21,654,437
Funds held for qualified entities	32,705,477	32,401,034
Accounts payable	1,006,060	1,265,401
Total Current Liabilities	313,334,762	347,475,571
Noncurrent liabilities:		
Bonds and notes payable, net of current portion	1,318,118,688	1,493,372,169
Advances payable	486,077	486,963
Derivative instrument liability	12,288,000	14,234,000
Total Noncurrent Liabilities	1,330,892,765	1,508,093,132
Total Liabilities	1,644,227,527	1,855,568,703
NET POSITION		
Restricted for debt service	(3,546,331)	(6,427,727)
Unrestricted	15,580,888	15,565,639
Total Net Position	$ 12,034,557	$ 9,137,912

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 POSITION

Years Ended June 30, 2014 and 2013

	2014	Restated 2013
OPERATING REVENUES		
Interest income	$ 67,394,522	$ 80,015,298
Acceptance and administration fees	706,042	793,770
Total Operating Revenues	68,100,564	80,809,068
OPERATING EXPENSES		
Interest	61,379,959	76,414,195
Debt issuance costs	2,835,431	5,207,529
General and administrative	1,055,267	1,515,251
Total Operating Expenses	65,270,657	83,136,975
Operating Income (Loss)	2,829,907	(2,327,907)
NONOPERATING REVENUE		
Interest income on investments	66,738	183,617
CHANGE IN NET POSITION	2,896,645	(2,144,290)
NET POSITION		
Beginning of year	9,137,912	11,282,202
End of year	$ 12,034,557	$ 9,137,912

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, 2014 and 2013

	2014	Restated 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interest, acceptance and administrative fees on deferred revenue	$ 71,032,348	$ 82,129,283
Cash payments for loaned amounts and operating expense of the operating fund	(65,807,205)	(93,102,228)
Cash payments to suppliers and employees	(1,058,842)	(1,121,806)
Net Cash Provided (Used) by Operating Activities	4,166,301	(12,094,751)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from debt issuances	243,734,082	536,117,211
Debt issuance costs paid	(2,835,431)	(2,781,330)
Repayment of bonds and notes payable	(453,752,800)	(768,722,734)
Net Cash Used in Non-Capital Financing Activities	(212,854,149)	(235,386,853)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(34,750,113)	(59,797,686)
Purchases of qualified obligations receivable	(223,506,368)	(498,752,048)
Interest received on investments	66,738	183,617
Maturities of investments	35,477,834	60,696,199
Maturities of qualified obligations receivable	426,968,502	734,824,727
Net Cash Provided by Investing Activities	204,256,593	237,154,809
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,431,255)	(10,326,795)
CASH AND CASH EQUIVALENTS		
Beginning of year	89,339,715	99,666,510
End of year	$ 84,908,460	$ 89,339,715
Supplemental disclosure of cash flow information:		
Interest received during the year	$ 70,327,102	$ 81,336,466
Interest paid during the year	62,715,601	88,168,463
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ 2,829,907	$ (2,327,907)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Changes in certain assets and liabilities:		
Accrued interest receivable	2,932,580	1,321,168
Accrued interest payable	(1,335,642)	(11,754,268)
Accounts payable	(259,658)	667,209
Advances payable	(886)	(953)
Net Cash Provided (Used) by Operating Activities	$ 4,166,301	$ (12,094,751)

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

Organization

Indiana Bond Bank (the Bond Bank), a component unit of the State of Indiana (the State), 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 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 of the State. 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.

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, including expansion of water and sewer systems and county hospitals.

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

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

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

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

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

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

Fuel Budgeting Program—Program to offer municipalities a means to reduce price volatility in gasoline and diesel fuel through the use of commodity hedges.

Qualified School Construction Program—Tax credit bonds that enable schools to borrow funds at below market interest rate for construction projects.

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements of the Bond Bank have been prepared on the accrual basis of accounting and using the economic resources measurement focus. Accordingly, the Bond Bank recognizes revenue in the period earned and expenses in the period incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Bond Bank follows GASB pronouncements as codified under GASB Statement No. 62.

The Bond Bank adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in fiscal year 2014. The application of GASB Statement No. 65 required a restatement of previously presented net position.

Following is a reconciliation of the beginning net position:

Net position at June 30, 2012, as previously reported	$ 19,110,740
Adoption of GASB No. 65	(7,828,538)
Net position at June 30, 2012, as restated	11,282,202
Decrease in net position during June 30, 2013, as previously reported	(450,346)
Change in net position during June 30, 2013 due to adoption of GASB No, 65	(1,693,944)
Net position at June 30, 2013, as restated	$ 9,137,912

Estimates

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

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, 2014 and 2013, fair value approximates cost. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net position. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior year(s) and the current year.

(1) Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

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.

Net Position

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

- *Restricted*—net position subject to externally imposed stipulations as to use. This net position is restricted under the related program's bond indentures.

- *Unrestricted*—net position which is 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, 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 nonoperating.

Subsequent Events

The Bond Bank has evaluated the financial statements for subsequent events occurring through October 16, 2014, the date the financial statements were available to be issued. See Note 9.

(2) Cash, Cash Equivalents 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, cash equivalents and investments at June 30, 2014 are summarized as follows:

	Cost	Fair Value
U.S. government agency obligations	$ 14,433,512	$ 14,433,512
Money market funds	68,405,307	68,405,307
Investment agreements with banks	28,545,730	28,545,730
Cash	2,069,641	2,069,641
Total cash, cash equivalents and investments	$ 113,454,190	$ 113,454,190

The Bond Bank's cash, cash equivalents and investments at June 30, 2013 are summarized as follows:

	Cost	Fair Value
U.S. government agency obligations	$ 14,516,480	$ 14,516,480
Money market funds	72,310,825	72,310,825
Investment agreements with banks	29,273,453	29,273,453
Cash	2,512,410	2,512,410
Total cash, cash equivalents and investments	$ 118,613,168	$ 118,613,168

Deposits with Financial Institutions

Custodial risk is the risk that in the event of bank failure, the Bond Bank's deposits may not be returned to it. The Bond Bank's cash is insured by Federal Deposit Insurance Corporation (FDIC). From time to time, certain cash balances maintained by the Bond Bank exceed federally insured limits. As of June 30, 2014, the Bond Bank had cash balances of $1,788,352 with custodial risk.

Investments

Investments are restricted for 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. Investments are also restricted to authorized investments per the applicable trust indentures.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

(2) Cash, Cash Equivalents and Investments (Continued)

As of June 30, 2014, the Bond Bank had cash equivalents and investments with maturities as follows:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Government obligations	$ 14,433,512	$14,433,912			
Money market funds	68,405,307	68,405,307			
Guaranteed investments	28,545,730	-	$1,133,856	$447,344	$ 26,964,530
Totals	$111,384,549	$82,839,219	$1,133,856	$447,344	$ 26,964,530

Custodial Credit Risk of Investments

Custodial credit risk is the risk that the Bond Bank will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party if the counterparty fails. Investment securities are exposed to risk if the securities are uninsured, are not registered in the name of the Bond Bank, and are held by either the counterparty or the counterparty's trust department or agent but not in the Bond Bank's name. The Bond Bank has no custodial risk on investments.

Credit Risk Disclosure

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

Credit Ratings	**S & P**	**Fitch**	**Moody's**	**Fair Value**
Government obligations	AA+	AAA	Aaa	$ 14,433,512
Money market funds	AAA	AAA	Aaa	68,405,307
Guaranteed investment contracts:				
Aegon	A+	A-	A3	26,964,530
Natixis Funding Corp	A	A	A2	1,581,200
Total Rated Investments				$ 111,384,549

Concentration of Credit Risk

There are no limits on the amount that may be invested in any one issuer. The following table shows investment issuers that represent 5% or more of the total investments at June 30, 2014:

Aegon Institutional Guaranteed Investment Contracts	24%
Bank of New York Cash Reserve	23%
Fidelity Institutional US Government Portfolio Money Market Fund	14%
Dreyfus Treasury Prime Cash Management	10%
U.S. Bank N.A. Discount Commercial Paper	5%

(3) Qualified Obligations Receivable

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

At June 30, 2014 and 2013, qualified obligations receivable included $39,750,000 and $53,570,000, 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 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 Notes 4 and 5).

As of June 30, 2014 and 2013, the Bond Bank's Board of Directors authorized the purchase and subsequent leasing of equipment totaling approximately $2,914,614 and $6,928,802, 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.

Qualified obligation receivables typically require semi-annual payments of principal and interest with maturities through January 5, 2013. All rates bear interest at varying rates, which are generally higher than the corresponding interest rate on the bond or note payable. Refunding principal credits are issued to qualified entities in instances where the corresponding debt has been refunded at a lower interest rate. The refunding principal credits are amortized on an effective interest rate method over the life of the qualified obligation receivable.

At June 30, 2014, maturities of qualified obligations receivables are as follows:

Fiscal Year Ending June 30		Principal
2015	$	214,424,221
2016-2020		656,251,368
2021-2025		437,519,404
2026 and after		194,361,615
		1,502,556,608
Less: Unamortized discount		(3,884,709)
Less: Refunding credit		(2,886,643)
	$	1,495,785,256

(4) Bonds and Notes Payable

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

		2014	2013
Special Program Bonds:			
Series 2002 A	(rates vary from 4.30% to 5.50% with maturities from October 1, 2012 to October 1, 2027, repaid in 2014)	$ —	$ 13,020,000
Series 2003 C	(rates vary from 3.50% to 5.00% with maturities from January 1, 2013 to January 1, 2016)	2,130,000	2,645,000
Series 2003 F	(rates vary from 3.00% to 4.75% with maturities from February 1, 2013 to February 1, 2024)	3,110,000	5,930,000
Series 2004 B	(rates vary from 3.00% to 5.00% with maturities from February 1, 2013 to February 1, 2023, repaid in 2014)	—	10,570,000
Series 2004 C	(rates vary from 4.00% to 5.38% with maturities from August 1, 2012 to February 1, 2031)	28,220,000	29,240,000
Series 2004 D	(rates vary from 3.00% to 5.00% with maturities from February 1, 2013 to February 1, 2022)	16,820,000	18,555,000
Series 2005 A	(rates vary from 3.00% to 4.50% with maturities from August 1, 2012 to February 1, 2027)	9,460,000	10,070,000
Series 2005 B	(rates vary from 4.00% to 4.15% with maturities from February 15, 2013 to February 15, 2020)	4,425,000	5,065,000
Series 2005 C	(rates vary from 3.75% to 4.25% with maturities from June 1, 2013 to June 1, 2026)	7,695,000	8,185,000
Series 2005 D	(rates vary from 3.75% to 5.00% with maturities from August 1, 2012 to August 1, 2028)	3,475,000	3,640,000
Series 2006 B-1	(rates vary from 3.75% to 5.00% with maturities from September 1, 2012 to March 1, 2027)	10,580,000	9,965,000
Series 2006 B-2	(rates vary from 5.50% to 5.80% with maturities from September 1, 2012 to September 1, 2017)	1,085,000	2,315,000
Series 2006 A	(rates vary from 4.00% to 5.13% with maturities from August 1, 2012 to September 1, 2024)	16,990,000	18,295,000
Series 2006 C	(rates vary from 4.25% to 5.00% with maturities from February 1, 2013 to February 1, 2023)	14,765,000	16,055,000
Series 2006 D	(rates vary from 4.00% to 4.25% with maturities from August 1, 2012 to February 1, 2027)	7,765,000	8,390,000
Series 2007 A	(rates vary from 5.00% to 5.25% with maturities from April 1, 2013 to April 1, 2030)	41,690,000	43,340,000
Series 2008 B	(rates vary from 4.00% to 5.79% with maturities from June 1, 2013 to June 1, 2034)	90,116,674	89,169,160
Series 2009 A	(rates vary from 3.00% to 5.50% with maturities from August 1, 2012 to February 1, 2029)	62,405,000	65,180,000
Series 2009 C	(rates vary from 3.00% to 4.77% with maturities from February 1, 2013 to February 1, 2030)	20,670,000	21,720,000
Series 2009 D	(rates vary from 3.00% to 5.00% with maturities from August 1, 2012 to August 1, 2020)	44,415,000	46,330,000

(4) Bonds and Notes Payable (Continued)

		2014	2013
Special Program Bonds (Continued):			
Series 2010 A-1	(rates vary from 3.00% to 4.00% with maturities from February 1, 2013 to February 1, 2021)	$ 5,145,000	$ 6,005,000
Series 2010 A-2	(rates vary from 1.08% to 4.62% with maturities from February 1, 2013 to February 1, 2020)	1,705,000	2,390,000
Series 2010 A-3	(rates vary from 3.00% to 4.00% with maturities from February 1, 2013 to February 1, 2024)	705,000	730,000
Series 2011 A	(rates vary from 2.00% to 5.00% with maturities from September 1, 2012 to September 1, 2021)	24,985,000	26,925,000
Series 2012 A	(rates are fixed at 3.06% with maturities from October 1, 2012 to April 1, 2027)	3,458,344	3,672,043
Series 2012 C	(rates vary from 1.50% to 5.00% with maturities from August 1, 2013 to February 1, 2025)	19,720,000	21,210,000
Series 2012 D	(rates vary from 2.00% to 5% with maturities from February 1, 2014 to February 1, 2033)	33,205,000	34,385,000
Series 2013 A	(rates are fixed at 1.84% with maturities from February 1, 2014 to February 1, 2023)	6,740,000	7,330,000
Total Special Program Bonds		$ 481,480,018	$ 530,326,203
Advance Funding Program Notes:			
Series 2013 A	Special Notes (interest rate of 1.28%, matured on January 7, 2014)	$ —	$ 18,970,000
Series 2013 B	Special Notes (interest rate of 0.79%, matured on January 7, 2014)	—	665,000
Series 2013 A	(interest rate of 0.60%, matured on January 3, 2014)	—	93,553,000
Series 2013	Midyear (interest rate of 0.715%, matured on January 3, 2014)	—	15,645,000
Series 2013	Year End Assistance (interest rate of 0.80%, matured on December 31, 2013)	—	3,075,000
Series 2014 A	(interest rate of 1.25% maturing on January 6, 2015)	82,963,141	—
Series 2014 B	Special Notes (interest rate of 0.75% maturing on January 6, 2015)	7,235,000	—
			—
Series 2014	Midyear (interest rate of 0.69% maturing on January 6, 2015)	3,560,000	—
Series 2014 A	Special Notes (interest rate of 0.82% maturing on January 6, 2015)	12,125,000	
Total Advance Funding Program Notes		$ 105,883,141	$ 131,908,000

(4) Bonds and Notes Payable (Continued)

		2014	2013
Common School Fund Bonds:			
Series 1996 A	(interest rate of 5.75% with maturities from August 1, 2012 to August 1, 2013)	$ —	$ 245,000
Series 1999 A	(interest rate of 5.00% with maturities from February 1, 2013 to February 1, 2014)	—	1,710,000
Series 2003 A and B	(rates vary from 3.00% to 5.00% with maturities from August 1, 2012 to February 1, 2020, repaid in 2014)	—	12,225,000
Series 2009 A	(rates vary from 2.92% to 4.05% with maturities from August 1, 2012 to August 1, 2013)	—	6,890,000
Series 2010 A	(rates vary from 0.53% to 4.04% with maturities from August 1, 2012 to February 1, 2017)	51,345,000	51,345,000
Series 2010 B	(rates vary from 1.35% to 4.30% with maturities from August 1, 2012 to August 1, 2018)	42,655,000	52,005,000
Series 2012 A	(rates vary from 0.558% to 1.946% with maturities from February 1, 2013 to February 1, 2018)	2,495,000	4,585,000
Series 2012 B	(rates vary from 0.427% to 2.296% with maturities from August 1, 2012 to February 2, 2019)	41,000,000	42,590,000
Total Common School Fund Bonds		$ 137,495,000	$ 171,595,000
School Severance Program Bonds:			
Series 5C	(interest rate of 5.15% with maturities from July 15, 2012 to January 15, 2019, repaid in 2014)	$ —	1,980,000
Series 8A	(rates vary from 4.17% to 5.64% with maturities from July 15, 2012 to January 15, 2029, partially refunded in 2014)	29,920,000	76,055,000
Series 8B	(rates vary from 4.17% to 5.49% with maturities from July 15, 2012 to January 15, 2026, partially refunded in 2014)	11,570,000	45,880,000
Series 9	(rates vary from 4.19% to 5.53% with maturities from July 15, 2012 to January 15, 2026, partially refunded in 2014)	12,090,000	21,420,000
Series 10	(rates vary from 4.93% to 5.68% with maturities from July 15, 2012 to January 15, 2031)	47,470,000	48,960,000
Series 11	(rates vary from 5.47% to 6.20% with maturities from July 15, 2012 to January 15, 2029)	85,795,000	91,850,000
Series 11A	(interest rate of 2.15% with maturities from July 15, 2012 to January 15, 2018)	6,495,000	8,685,000
Series 12A	(rates vary from 1.39% to 3.32% with maturities from July 15, 2012 to January 15, 2023)	11,210,000	12,505,000
Series 12B	(rates vary from 1.54% to 3.52% with maturities from July 15, 2012 to July 15, 2022)	3,850,000	4,260,000
Series 12C	(rates vary from 1.20% to 2.56% with maturities from July 15, 2013 to January 15, 2023)	14,595,000	19,115,000
Series 13A	(rates vary from 0.19% to 4.03% with maturities from July 15, 2013 to January 15, 2030)	209,740,000	248,095,000
Series 13B	(interest rate of 1.80% with maturities from July 15, 2013 to January 15, 2025)	8,090,000	16,485,000
Series 13C	(rates vary from 0.15% to 4.34% with maturities from July 15, 2014 to January 13, 2026)	79,045,000	—
Total School Severance Program Bonds		$ 519,870,000	$ 595,290,000

(4) Bonds and Notes Payable (Continued)

		2014	2013
Prepaid Gas Funding Program Bonds:			
Series 2007 A and B	2007 A Fixed Bonds rates vary from 5.00% to 5.25%, with maturities from October 15, 2015 to October 15, 2021.		
	2007 B-1 LIBOR Index Rate Bonds rates vary based on 67% of the Three-Month LIBOR Rate plus the per annum spread of 0.97%. Rate at June 30, 2014 was 1.15%, maturing on October 15, 2022.		
	2007 B-2 BMA Index Rate Bonds rates vary based on the BMA Municipal Swap Index plus the per annum spread 0.66%. Rate at June 30, 2014 was 0.72%, maturing on October 15, 2022.		
	2007 B-3 CPI Index Rate Bonds rates vary based on changes in the CPI Index plus the per annum spread ranging from 1.38% to 1.40%. The rate at June 30, 2014 was 1.15 to 1.16%, with maturities through October 15, 2015.	$ 211,410,000	$ 228,075,000
Total Prepaid Gas Funding Program Bonds		$ 211,410,000	$ 228,075,000
Qualified School Construction Bonds:			
Series 2009	(rates vary from 1.51% to 1.75% with maturities from January 15, 2013 to January 15, 2025)	$ 57,687,000	$ 60,855,000
Series 2010	(rates vary from 2.96% to 5.49% with maturities from July 15, 2012 to July 15, 2027)	50,990,000	52,640,000
Total Qualified School Construction Bonds		$ 108,677,000	$ 113,495,000
Total		1,564,815,159	1,770,689,203
Add: Net unamortized premium		12,607,959	14,837,665
Total Bonds and Notes Payable		1,577,423,118	1,785,526,868
Less: Current portion		(259,304,430)	(292,154,699)
Noncurrent Portion of Bonds and Notes Payable		$ 1,318,118,688	$ 1,493,372,169

(4) Bonds and Notes Payable (Continued)

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 $13,987,679 and $13,314,399 at June 30, 2014 and 2013, respectively.

The faith, credit and taxing power of the State 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, 2014.

<u>Special Program Bonds</u>
- Series 2003 C
- Series 2003 F
- Series 2004 C
- Series 2004 D
- Series 2005 A
- Series 2005 B
- Series 2005 C
- Series 2005 D
- Series 2006 A Refunding
- Series 2006 B
- Series 2006 C
- Series 2006 D
- Series 2007 A Refunding
- Series 2008 B

<u>Special Program Bonds (Cont.)</u>
- Series 2010 A-1, A-2 (Taxable) & A-3 Multipurpose
- Series 2011 A Refunding

<u>School Severance Program Bonds</u>
- 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.

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.

(4) Bonds and Notes Payable (Continued)

The amounts eligible to be drawn under these arrangements at June 30, 2014 are as follows:

Series	Eligible Amount
Special Program Bonds, Series 2003 F1	$ 1,537,104
Special Program Bonds, Series 2004 C	2,514,999
Special Program Bonds, Series 2004 D	2,599,927
Special Program Bonds, Series 2005 A	1,212,444
Special Program Bonds, Series 2005 C	830,969
Special Program Bonds, Series 2005 D	329,062
Special Program Bonds, Series 2006 A Ref	2,186,637
Special Program Bonds, Series 2006 B-1 & B-2	1,259,641
Special Program Bonds, Series 2006 C	2,081,120
Special Program Bonds, Series 2006 D	1,584,938
Special Program Bonds, Series 2007 A Ref	3,920,650
Special Program Bonds, Series 2010 A-1, A-2 Taxable, A-3 Multipurpose	2,865,702
Special Program Bonds, Series 2011 A Refunding	3,008,950
Special Program Bonds, Series 2012 C Refunding	2,294,750
Special Program Bonds, Series 2012 D Refunding	2,727,225
Advance Funding Program, Series 2014 A	7,428,150

(4) Bonds and Notes Payable (Continued)

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, 2014 or 2013.

At June 30, 2014, maturities of long-term debt and interest are as follows:

Fiscal Year Ending June 30	Principal	Interest
2015	$ 259,304,430	$ 56,545,525
2016	148,302,081	51,809,040
2017	143,616,083	47,544,339
2018	142,992,301	42,616,149
2019	126,835,741	37,588,758
2020-2024	498,350,591	116,453,967
2025-2029	194,997,511	36,689,074
2030-2034	50,416,421	4,900,489
	1,564,815,159	$ 394,147,341
Add: Unamortized premium	12,607,959	
	$ 1,577,423,118	

The Bond Bank issued $56,435,000 of debt on behalf of seventeen not-for-profit qualified water utilities. At June 30, 2014 and 2013, the balance outstanding for these qualified water utilities totaled $11,485,000 and $11,770,000, 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.

(4) Bonds and Notes Payable (Continued)

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.

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	$ 1,564,815,159
Less: Debt recorded which does not require reserve funds	1,181,335,159
Debt outstanding for statutory debt limit purposes at June 30, 2014	383,480,000
Available remaining debt limit for statutory purposes	616,520,000
Statutory debt limit	$ 1,000,000,000

During 2014, the Bond Bank issued School Severance Refunding Program Bonds Series 13C in the amount of $84,280,000. The proceeds from the School Severance Program Refunding Bonds Series 13C issue plus contributions from the underlying qualified entity were used to partially refund School Severance Program Bonds Series 8A, 8B and 9. The cash flow difference between the debt service on the School Severance Program Bonds Series 8A, 8B and 9 and the new debt was $4,216,341 and the net present value savings were $3,445,698.

During 2013, the Bond Bank issued Special Program Refunding Bonds Series 2012 C in the amount of $22,090,000. The proceeds from the Special Program Refunding Bonds Series 2012 C issue plus other funds on hand were used to refund Special Program Bonds Series 2003 D. The cash flow difference between the debt service on the Special Program Bond Series 2003 D and the new debt was $2,921,486 and the net present value savings were $2,474,168.

During 2013, the Bond Bank issued Special Program Refunding Bonds Series 2012 D in the amount of $34,385,000. The proceeds from the Special Program Refunding Bonds Series 2012 D issue plus other funds on hand were used to refund Special Program Bonds Series 2003 A. The cash flow difference between the debt service on the Special Program Bond Series 2003 A and the new debt was $6,261,052 and the net present value savings were $3,450,341.

During 2013, the Bond Bank issued Special Program Refunding Bonds Series 2013 A in the amount of $7,330,000. The proceeds from the Special Program Refunding Bonds Series 2013 A issue plus other funds on hand were used to refund Special Program Bonds Series 2002 C, 2002 E and 2003 B. The cash flow difference between the debt service on the Special Program Bond Series 2002 E and 2003 B and the new debt was $1,782,610 and the net present value savings were $736,375.

(4) Bonds and Notes Payable (Continued)

During 2013, the Bond Bank issued School Severance Refunding Program Bonds Series 12C in the amount of $21,465,000. The proceeds from the School Severance Program Refunding Bonds Series 12C issue plus contributions from the underlying qualified entity were used to refund School Severance Program Bonds Series 3. The cash flow difference between the debt service on the School Severance Program Bonds Series 3 and the new debt was $3,202,284 and the net present value savings were $2,749,441.

During 2013, the Bond Bank issued School Severance Refunding Program Bonds Series 13A and 13B in the amount of $264,580,000. The proceeds from the School Severance Program Refunding Bonds Series 13A and 13B issue plus contributions from the underlying qualified entity were used to refund School Severance Program Bonds Series 4, 5A, 5B, 6A, 6B, 7A and 7B. The cash flow difference between the debt service on the School Severance Program Bonds Series 4, 5A, 5B, 6A, 6B, 7A and 7B and the new debt was $33,609,060 and the net present value savings were $26,148,287.

The total bonds considered to have been defeased and removed from the financial statements and in total have remaining outstanding principal balances of approximately $143,435,000 and $377,090,000 at June 30, 2014 and 2013, respectively.

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
2014					
Bonds and notes payable	$ 1,785,526,868	$ 245,649,050	$ 453,752,800	$ 1,577,423,118	$ 259,304,430
Advances payable	486,963	-	886	486,077	-
Derivative instrument liability	14,234,000	-	1,946,000	12,288,000	-
Total	$ 1,800,247,831	$ 245,649,050	$ 455,699,686	$ 1,590,197,195	$ 259,304,430
2013					
Bonds and notes payable	$ 2,006,630,151	$ 547,478,211	$ 768,581,494	$ 1,785,526,868	$ 292,154,699
Advances payable	487,916	-	953	486,963	-
Derivative instrument liability	14,617,000	-	383,000	14,234,000	-
Total	$ 2,021,735,067	$ 547,478,211	$ 768,965,447	$ 1,800,247,831	$ 292,154,699

(5) Derivative Instruments and Fair Value Measurement

Objective of the Interest Rate SWAP Agreement. In August 2007, in anticipation of issuing the Series 2007 B1, B2, and B3 Prepaid Gas Funding Program Bonds and protecting, in part, the Bond Bank from the risk of any adverse change in interest rates on the Series 2007 Prepaid Gas Funding Program Bonds, the Bond Bank entered into a Swap Agreement with JPMorgan Chase Bank N.A. (JPMorgan) to lock in a fixed interest rate.

SUMMARY OF DERIVATIVE INSTRUMENTS (INTEREST RATE SWAPS)

Business-Type Activities	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2014 Amount	Notional Amount
Pay-fixed interest rate swap - LIBOR Index Rate Bonds (B-1)	Deferred Outflow	$ 648,000	$ (6,371,000)	$ 22,500,000
Pay-fixed interest rate swap - SIFMA Index Rate Bonds (B-2)	Deferred Outflow	578,000	(5,756,000)	15,690,000
Pay-fixed interest rate swap - CPI Index Rate Bonds (B-3)	Deferred Outflow	720,000	(161,000)	26,930,000
		$ 1,946,000	$ (12,288,000)	$ 65,120,000

Terms for B-1 (LIBOR Index). Under the Swap Agreement, the Bond Bank pays interest to JPMorgan on the notional amounts set forth in the three-month LIBOR agreements at the fixed interest rate of 4.73%, in exchange for which JPMorgan pays interest to the Bond Bank on notional amounts at a variable interest rate equal to 67% of the three-month LIBOR plus a spread of .97%. The swap's notional amount of $22,500,000 at June 30, 2014 matches the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap Agreement, on the 15th of October, January, April and July.

Fair Value (LIBOR Index). Because LIBOR interest rates have decreased since execution of the Swap Agreement, the swap had a negative fair value of $6,371,000 at June 30, 2014. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap.

(5) Derivative Instruments and Fair Value Measurement (Continued)

Terms for B-2 (SIFMA Municipal Swap Index). Under the Swap Agreement, the Bond Bank pays interest to JPMorgan on the notional amounts set forth in the weekly SIFMA Municipal Index Swap agreements at the fixed interest rate of 4.80%, in exchange for which JPMorgan pays interest to the Bond Bank on notional amounts at a variable interest rate equal to the weekly SIFMA Municipal Index Swap plus a spread of .66%. The swap's notional amount of $15,690,000 at June 30, 2014 matches the variable rate bonds. The obligation began to bear interest on October 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap Agreement, on the 15th of October, January, April, and July.

Fair Value (SIFMA Municipal Swap Index). Because SIFMA Municipal Swap Index rates have decreased since execution of the Swap Agreement, the swap had a negative fair value of $5,756,000 at June 30, 2014. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the current weekly SIFMA Municipal Index to be used for the July 15, 2014 swap payment. This method calculates the future net settlement payments required by the swap, assuming that the current weekly SIFMA Municipal Index reflects the fair value of the swap payments. These payments are then discounted using the current weekly SIFMA Municipal Index Swap on the coupon due on the date of the future net settlement on the swap.

Terms for B-3 (CPI Index). Under the Swap Agreement, the Bond Bank pays interest to JPMorgan on the notional amount set forth in the CPI Index Swap agreements at the fixed interest rate of 1.38% on a notional amount of $16,930,000, and 1.40% on a notional amount of $10,000,000. The swap's notional amount of $26,930,000 at June 30, 2014 matches the variable rate bonds. The obligation began to bear interest on September 15, 2007, and each party is required to make payments, if any, to the other party under the 2007 Swap Agreement, on the 15th of each month.

Fair Value (CPI Index). Because interest rates have changed since execution of the Swap Agreement, the swap had a negative fair value of $161,000 at June 30, 2014. The swap's negative fair value may be countered by a decrease in total interest payments required under the variable-rate bonds, creating a higher synthetic interest rate. Because the coupons on the Bond Bank's variable-rate bond adjust to changing interest rates, the bonds do not have a corresponding fair value decrease. The fair value was estimated using the current CPI Index for the swap payment due July 15, 2014. The method calculates the future net settlement payments required by the swap, assuming that the current CPI index reflects the fair value of the swap payments. These payments are then discounted using the current CPI index on the coupon due on the date of the future net settlement on the swap.

Credit Risk. As of June 30, 2014, the Bond Bank was not exposed to credit risk because the index swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the Bond Bank would be exposed to credit risk in the amount of the derivative's fair value.

The Swap Agreement counterparty, JPMorgan, was rated A+ by Fitch Ratings and Standard & Poor's and A3 by Moody's Investor Service as of June 30, 2014.

(5) Derivative Instruments and Fair Value Measurement (Continued)

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

Swap Payments and Associated Debt. As rates vary, variable-rate bond interest payments and net swap payments will vary for the qualified entities. As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows.

	Variable-Rate Bonds (B-1, LIBOR Index)			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	$ -	$ 259,405	$ 804,845	$ 1,064,250
2016	-	259,405	804,845	1,064,250
2017	-	259,405	804,845	1,064,250
2018	-	259,405	804,845	1,064,250
2019	-	259,405	804,845	1,064,250
2020	-	259,405	804,845	1,064,250
2021	-	259,405	804,845	1,064,250
2022	-	259,405	804,845	1,064,250
2023	22,500,000	259,405	804,845	1,064,250
Total	$ 22,500,000	$ 2,334,645	$ 7,243,605	$ 9,578,250

	Variable-Rate Bonds (B-2, SIFMA Index)			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	$ -	$ 111,399	$ 641,721	$ 753,120
2016	-	111,399	641,721	753,120
2017	-	111,399	641,721	753,120
2018	-	111,399	641,721	753,120
2019	-	111,399	641,721	753,120
2020	-	111,399	641,721	753,120
2021	-	111,399	641,721	753,120
2022	-	111,399	641,721	753,120
2023	15,690,000	111,399	641,721	753,120
Total	$ 15,690,000	$ 1,002,591	$ 5,775,489	$ 6,778,080

	Variable-Rate Bonds (B-3, CPI Index)			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	$ 16,930,000	$ 669,864	$ 488,740	$ 1,158,604
2016	10,000,000	250,000	184,000	434,000
Total	$ 26,930,000	$ 919,864	$ 672,740	$ 1,592,604

(6) Concentrations of Credit

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

County	Qualified Obligations Receivable	Concentration Percentage
Marion	$ 303,628,165	20%
Hendricks	137,960,740	9%
Hamilton	101,177,401	7%
Lake	76,676,461	5%

No other county has a concentration over 5% of the total qualified obligations receivable at June 30, 2014.

(7) Employee Benefits

Plan Description

The Bond Bank is a participating employer in the Indiana Public Retirement System (INPRS). The Bond Bank contributes to the INPRS, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all of the Bond Bank's employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit 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 and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any time with interest should a participant terminate employment.

(7) Employee Benefits (Continued)

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

Funding Policy

The Bond Bank is required to contribute to the Plan at an actuarially determined rate. The current rate is 11.2% (9.7% in prior year) of annual covered payroll. The Bond Bank contributed 3% of the participant's annual salary to the annuity savings account. The contribution requirements of participants are determined by State statute.

Annual Pension Cost

For the 2014 plan year, the Bond Bank's annual contribution of $22,272 was less than the required contribution of $22,494. The INPRS funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2013 actuarial valuation using the entry age normal cost method. The asset valuation method is 4-year smoothing of gains/losses on market value with a 20% corridor. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6.75% in 2014 and 2013, per year, compounded annually; (b) projected salary increases based on INPRS experience from 2005 to 2010; and (c) assumed annual postretirement benefit increases of 1.0%. INPRS uses the method of establishing a new gain or loss base each year to amortize the unfunded liability over a 30-year open period.

(8) 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, 2014:

Fiscal Year Ending June 30	Payments
2015	$ 53,804
2016	28,853
2017	3,600
2018	600
	$ 86,857

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 $54,271 and $64,086 for the years ended June 30, 2014 and 2013, respectively.

(9) Subsequent Events

On August 29, 2014, Daniel J. Huge was appointed to the office of Indiana State Treasurer. By virtue of that office, Mr. Huge also serves as Chairman of the Board of Directors for the Indiana Bond Bank.

On September 3, 2014, the $28,220,000 of outstanding Special Program Bonds, Series 2004 C was redeemed.

On October 15, 2014, the Bond Bank Board of Directors approved a resolution authorizing the issuance of $700,000 of 2014 USDA RD Bond Anticipation Notes. The expected closing date on these notes is on or about November 1, 2014.

The following issues have been approved by the Board of Directors of the Bond Bank for a refunding since the statement of net assets date of June 30, 2013, but have not been refunded as of the date of this report: Special Program Bonds Series 2003 C, 2003 F-1, 2005 A, 2005 D, 2006 B-1 and 2006 F-1; School Severance Funding Bonds Series 10 and 11.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

RETIREMENT PLAN SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS (UNAUDITED)
Year Ended June 30, 2014

Asset Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(1-2) (Unfunded) Overfunded AAL (UAAL)	(1/2) Funded Ratio	(3) Covered Payroll	[(2-1)/3] UAAL as a Percentage of Covered Payroll	Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2013	$ 139,434	$ 270,074	$ (130,640)	52%	$ 233,736	56%	$ 22,733	98%
June 30, 2012	223,231	471,466	(248,235)	47%	307,114	81%	17,105	132%
June 30, 2011	222,476	394,021	(171,545)	56%	281,522	61%	16,433	110%

OTHER SUPPLEMENTARY INFORMATION

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
SUPPLEMENTAL SCHEDULE OF NET POSITION INFORMATION BY PROGRAM TYPE

June 30, 2014

ASSETS	**Special Program**	**Advance Funding Program**	**Operating Program**	**Common School Fund Program**	**School Severance Program**	**Prepaid Gas Program**	**Fuel Budgeting Program**	**Qualified School Construction Bonds**	**Eliminations**	**Total**
Current assets:										
Cash and cash equivalents	$ 18,367,974	$ 12,464,849	$ 16,024,703	$ 547,839	$ 34,259,662	$ 1,466,033	$ 83,034	$ 1,694,366	$ —	$ 84,908,460
Qualified obligations receivable	23,607,794	93,828,104	—	31,572,803	42,122,520	16,930,000	—	6,363,000	—	214,424,221
Accrued interest receivable	6,733,938	366,242	—	2,872,900	4,044,960	2,012,000	—	1,191,800	—	17,221,840
Total Current Assets	48,709,706	106,659,195	16,024,703	34,993,542	80,427,142	20,408,033	83,034	9,249,166	—	316,554,521
Noncurrent assets:										
Investments, at fair value	1,581,200	—	—	—	—	26,964,530	—	—	—	28,545,730
Qualified obligations receivable	448,929,575	—	39,800	103,199,264	431,269,757	195,587,489	—	102,335,150	—	1,281,361,035
Total Noncurrent Assets	450,510,775	—	39,800	103,199,264	431,269,757	222,552,019	—	102,335,150	—	1,309,906,765
Total Assets	499,220,481	106,659,195	16,064,503	138,192,806	511,696,899	242,960,052	83,034	111,584,316	—	1,626,461,286
DEFERRED OUTFLOWS OF RESOURCES										
Accumulated decrease in fair value of interest rate swaps	—	—	—	—	—	12,288,000	—	—	—	12,288,000
Deferred refunding costs	2,210,153	—	—	996,151	14,306,494	—	—	—	—	17,512,798
Total Deferred Outflows of Resources	2,210,153	—	—	996,151	14,306,494	12,288,000	—	—	—	29,800,798
LIABILITIES										
Current liabilities:										
Bonds and notes payable	24,363,289	105,883,141	—	33,450,000	72,040,000	16,930,000	—	6,638,000	—	259,304,430
Accrued interest payable	6,944,864	495,336	—	1,678,700	7,560,495	2,012,000	—	1,627,400	—	20,318,795
Funds held for qualified entities	4,201,916	—	—	—	—	28,503,561	—	—	—	32,705,477
Accounts payable	—	—	1,878	—	—	243,700	—	760,482	—	1,006,060
Total Current Liabilities	35,510,069	106,378,477	1,878	35,128,700	79,600,495	47,689,261	—	9,025,882	—	313,334,762
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	466,919,185	—	—	104,044,999	447,757,525	196,834,244	—	102,562,735	—	1,318,118,688
Advances payable	4,340	—	481,737	—	—	—	—	—	—	486,077
Derivative instrument liability	—	—	—	—	—	12,288,000	—	—	—	12,288,000
Total Noncurrent Liabilities	466,923,525	—	481,737	104,044,999	447,757,525	209,122,244	—	102,562,735	—	1,330,892,765
Total Liabilities	502,433,594	106,378,477	483,615	139,173,699	527,358,020	256,811,505	—	111,588,617	—	1,644,227,527
NET POSITION										
Restricted for debt service	(1,002,960)	280,718	—	15,258	(1,354,627)	(1,563,453)	83,034	(4,301)	—	(3,546,331)
Unrestricted	—	—	15,580,888	—	—	—	—	—	—	15,580,888
Total Net Position	$ (1,002,960)	$ 280,718	$ 15,580,888	$ 15,258	$ (1,354,627)	$ (1,563,453)	$ 83,034	$ (4,301)	$ —	$ 12,034,557

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)
SUPPLEMENTAL SCHEDULE OF NET POSITION INFORMATION BY PROGRAM TYPE

June 30, 2013 (Restated)

ASSETS	**Special Program**	**Advance Funding Program**	**Operating Program**	**Common School Fund Program**	**School Severance Program**	**Prepaid Gas Program**	**Fuel Budgeting Program**	**Qualified School Construction Bonds**	**Eliminations**	**Total**
Current assets:										
Cash and cash equivalents	$ 18,895,770	$ 17,450,348	$ 15,578,160	$ 582,663	$ 33,648,168	$ 1,267,139	$ 42,497	$ 1,874,970	$ —	$ 89,339,715
Qualified obligations receivable	24,852,124	115,097,126	470,000	32,193,795	46,796,288	16,665,000	—	4,618,000	—	240,692,333
Accrued interest receivable	7,426,311	490,331	12,500	3,553,922	5,416,556	2,041,500	—	1,213,300	—	20,154,420
Total Current Assets	51,174,205	133,037,805	16,060,660	36,330,380	85,861,012	19,973,639	42,497	7,706,270	—	350,186,468
Noncurrent assets:										
Investments, at fair value	1,496,992	—	—	855,209	—	26,921,252	—	—	—	29,273,453
Qualified obligations receivable	497,321,972	—	—	134,850,975	501,489,787	212,766,286	—	108,985,845	—	1,455,414,865
Total Noncurrent Assets	498,818,964	—	—	135,706,184	501,489,787	239,687,538	—	108,985,845	—	1,484,688,318
Total Assets	549,993,169	133,037,805	16,060,660	172,036,564	587,350,799	259,661,177	42,497	116,692,115	—	1,834,874,786
DEFERRED OUTFLOWS OF RESOURCES										
Accumulated decrease in fair value of interest rate swaps	—	—	—	—	—	14,234,000	—	—	—	14,234,000
Deferred refunding costs	2,469,942	—	—	1,596,215	11,531,672	—	—	—	—	15,597,829
Total Deferred Outflows of Resources	2,469,942	—	—	1,596,215	11,531,672	14,234,000	—	—	—	29,831,829
LIABILITIES										
Current liabilities:										
Bonds and notes payable	26,118,699	131,908,000	—	34,100,000	78,545,000	16,665,000	—	4,818,000	—	292,154,699
Accrued interest payable	7,621,245	387,323	—	2,184,800	7,747,869	2,041,500	—	1,671,700	—	21,654,437
Funds held for qualified entities	4,201,916	—	—	—	—	28,199,118	—	—	—	32,401,034
Accounts payable	53,400	—	13,284	100	27,736	243,700	—	927,181	—	1,265,401
Total Current Liabilities	37,995,260	132,295,323	13,284	36,284,900	86,320,605	47,149,318	—	7,416,881	—	347,475,571
Noncurrent liabilities:										
Bonds and notes payable, net of current portion	515,640,978	—	—	137,495,000	516,663,532	214,293,124	—	109,279,535	—	1,493,372,169
Advances payable	5,226	—	481,737	—	—	—	—	—	—	486,963
Derivative instrument liability	—	—	—	—	—	14,234,000	—	—	—	14,234,000
Total Noncurrent Liabilities	515,646,204	—	481,737	137,495,000	516,663,532	228,527,124	—	109,279,535	—	1,508,093,132
Total Liabilities	553,641,464	132,295,323	495,021	173,779,900	602,984,137	275,676,442	—	116,696,416	—	1,855,568,703
NET POSITION										
Restricted for debt service	(1,178,353)	742,482	—	(147,121)	(4,101,666)	(1,781,265)	42,497	(4,301)	—	(6,427,727)
Unrestricted	—	—	15,565,639	—	—	—	—	—	—	15,565,639
Total Net Position	$ (1,178,353)	$ 742,482	$ 15,565,639	$ (147,121)	$ (4,101,666)	$ (1,781,265)	$ 42,497	$ (4,301)	$ —	$ 9,137,912

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

SUPPLEMENTAL SCHDEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION BY PROGRAM TYPE

Year Ended June 30, 2014

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	Total
OPERATING REVENUES									
Interest income	$ 22,814,222	$ 1,117,451	$ —	$ 5,558,400	$ 23,724,348	$ 10,562,029	$ 480	$ 3,617,592	$ 67,394,522
Acceptance and administration fees	—		616,485	—	—	—	89,557	—	706,042
Total Operating Revenues	22,814,222	1,117,451	616,485	5,558,400	23,724,348	10,562,029	90,037	3,617,592	68,100,564
OPERATING EXPENSES									
Interest	22,708,377	624,066	—	5,079,462	19,126,442	10,281,770	49,500	3,510,342	61,379,959
Debt issuance costs	—	945,232	—	—	1,890,199	—	—	—	2,835,431
General and administrative	(89,805)	1,400	1,047,436	7,579	15,494	62,447	—	10,716	1,055,267
Total Operating Expenses	22,618,572	1,570,698	1,047,436	5,087,041	21,032,135	10,344,217	49,500	3,521,058	65,270,657
Operating Income (Loss)	195,650	(453,247)	(430,951)	471,359	2,692,213	217,812	40,537	96,534	2,829,907
NONOPERATING REVENUES									
Interest income on investments	—	—	66,738	—	—	—	—	—	66,738
Change in Net Position Before Transfers	195,650	(453,247)	(364,213)	471,359	2,692,213	217,812	40,537	96,534	2,896,645
Transfers	(20,257)	(8,517)	379,462	(308,980)	54,826	—	—	(96,534)	—
CHANGE IN NET POSITION	$ 175,393	$ (461,764)	$ 15,249	$ 162,379	$ 2,747,039	$ 217,812	$ 40,537	$ -	$ 2,896,645

INDIANA BOND BANK
(A COMPONENT UNIT OF THE STATE OF INDIANA)

SUPPLEMENTAL SCHDEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INFORMATION BY PROGRAM TYPE

Year Ended June 30, 2013 (Restated)

	Special Program	Advance Funding Program	Operating Program	Common School Fund Program	School Severance Program	Prepaid Gas Program	Fuel Budgeting Program	Qualified School Construction Bonds	Total
OPERATING REVENUES									
Interest income	$ 24,922,594	$ 1,612,613	$ —	$ 4,584,777	$ 33,757,843	$ 11,530,250	$ 931	$ 3,606,290	$ 80,015,298
Acceptance and administration fees	—	—	700,075	—	—	—	93,695	—	793,770
Total Operating Revenues	24,922,594	1,612,613	700,075	4,584,777	33,757,843	11,530,250	94,626	3,606,290	80,809,068
OPERATING EXPENSES									
Interest	24,556,627	822,564	—	4,329,262	32,111,022	10,940,469	49,500	3,604,751	76,414,195
Debt issuance costs	1,509,389	723,593	—	191,778	2,782,769	—	—	—	5,207,529
General and administrative	40,077	—	1,075,598	63,737	23,498	310,802	—	1,539	1,515,251
Total Operating Expenses	26,106,093	1,546,157	1,075,598	4,584,777	34,917,289	11,251,271	49,500	3,606,290	83,136,975
Operating Income (Loss)	(1,183,499)	66,456	(375,523)	—	(1,159,446)	278,979	45,126	—	(2,327,907)
NONOPERATING REVENUES									
Interest income on investments	—	—	183,617	—	—	—	—	—	183,617
Change in Net Position Before Transfers	(1,183,499)	66,456	(191,906)	—	(1,159,446)	278,979	45,126	—	(2,144,290)
Transfers	(64,310)	(34,208)	189,133	—	—	—	(90,615)	—	—
CHANGE IN NET POSITION	$ (1,247,809)	$ 32,248	$ (2,773)	$ —	$ (1,159,446)	$ 278,979	$ (45,489)	$ —	$ (2,144,290)

OTHER INFORMATION

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

Year Ended June 30, 2014

To the Board of Directors
Indiana Bond Bank

We have audited, in accordance with the 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, the financial statements of Indiana Bond Bank (the Bond Bank), a component unit of the State of Indiana, which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 16, 2014