



**THE INDIANAPOLIS LOCAL PUBLIC  
IMPROVEMENT BOND BANK**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**December 31, 2007 and 2006**

**THE INDIANAPOLIS LOCAL PUBLIC  
IMPROVEMENT BOND BANK**

**CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	2-7
<b>FINANCIAL STATEMENTS</b>	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	11-36

## *Independent Auditors' Report*

Board of Directors  
The Indianapolis Local Public Improvement Bond Bank

We have audited the accompanying statements of net assets of The Indianapolis Local Public Improvement Bond Bank as of December 31, 2007 and 2006, 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 Indianapolis Local Public Improvement Bond Bank at December 31, 2007 and 2006, and the results of its operations 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 presented on pages 2 to 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
September 15, 2008

# THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Indianapolis Local Public Improvement Bond Bank (Bond Bank), we offer readers of the Bond Bank's financial statements this narrative overview and analysis of the financial activities of the Bond Bank for the fiscal year ended December 31, 2007. All amounts, unless otherwise indicated, are expressed in thousands of dollars and are approximate.

### FINANCIAL HIGHLIGHTS

The net loss for 2007 was \$1.3 million, which is reflected in the decrease in net assets.

Total assets increased from \$3.48 billion at December 31, 2006 to \$4.15 billion at December 31, 2007. This is an increase of approximately \$670 million. This increase occurred primarily in cash, investments and loans receivable.

During 2007, the Bond Bank issued \$465 million in new and refunding bonds. The Bond Bank's Series 2007 L bonds accounted for \$106 million of the new bonds issued. The proceeds of Series 2007 L bonds were used to purchase City of Indianapolis Waterworks bonds. (Series 2007 A and B)

The Bond Bank issued \$631 million in new notes payable during 2007. Series 2007 A-D, 2007 E-H, and Series 2007 J-M accounted for \$512 million of the new notes issued.

During 2007, the Bond Bank refunded bonds of \$152 million and made draws on bonds of \$56 million. In addition, the Bond Bank made principal payments of \$99 million on bonds payable and \$300 million on notes payable.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Bond Bank's basic financial statements. The Bond Bank is an instrumentality of the City of Indianapolis and is maintained as a Proprietary Fund. Proprietary Funds are used to report any activities for which income fees are charged to external users for goods and services. In addition, Proprietary Funds must be used in situations where debt is backed solely by fees and charges. A Proprietary Fund is accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Bond Bank's financial statements include statements of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows, and the notes to the financial statements. All information included in this discussion and analysis is presented for the three most recent fiscal years to provide the opportunity for comparison between the years.

The *statements of net assets* present information on all of the Bond Bank's assets and liabilities, with the difference between the two reported as net assets.

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

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

These financial statements can be found on pages 8 to 10 of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 11 to 36 of this report.

## FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Bond Bank, assets exceeded liabilities by \$2.5 million at the close of the most recent fiscal year.

### The Indianapolis Local Public Improvement Bond Bank's Net Assets (In Thousands of Dollars)

	2007	December 31, 2006	2005
Current assets	\$ 982,475	\$ 433,031	\$ 323,462
Noncurrent assets	<u>3,166,122</u>	<u>3,045,023</u>	<u>2,590,855</u>
Total Assets	<u>\$4,148,597</u>	<u>\$3,478,054</u>	<u>\$2,914,317</u>
Current liabilities	\$ 623,921	\$ 368,125	\$ 310,447
Long-term liabilities outstanding	<u>3,522,189</u>	<u>3,106,103</u>	<u>2,601,544</u>
Total Liabilities	4,146,110	3,474,228	2,911,991
Net assets	<u>2,487</u>	<u>3,826</u>	<u>2,326</u>
Total Liabilities and Net Assets	<u>\$4,148,597</u>	<u>\$3,478,054</u>	<u>\$2,914,317</u>

Loans receivable have continued to increase over the years as the Bond Bank continues to issue debt funding the projects of the qualified entities. As new and existing projects are undertaken and completed, additional bonds are issued on behalf of the qualified entities to fund the projects. Therefore, loans receivable and bonds payable have continued to increase.

**FINANCIAL ANALYSIS (CONTINUED)****The Indianapolis Local Public Improvement Bond Bank's  
Statements of Revenue, Expenses and Changes in Net Assets  
(In Thousands of Dollars)**

	<b>Year Ended December 31,</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Operating Revenues:			
Interest-investments	\$ 166,005	\$ 151,845	\$130,347
Fees	<u>3,389</u>	<u>3,178</u>	<u>3,784</u>
Total Operating Revenues	<u>169,394</u>	<u>155,023</u>	<u>134,131</u>
Operating Expenses:			
Interest	161,825	147,400	127,484
Amortization of debt issuance costs	4,081	3,459	3,250
Administrative costs	<u>2,014</u>	<u>1,735</u>	<u>1,498</u>
Total Operating Expenses	<u>167,920</u>	<u>152,594</u>	<u>132,232</u>
Operating Income (Loss)	1,474	2,429	1,899
Other Financing Uses	<u>(2,813)</u>	<u>(929)</u>	<u>(1,150)</u>
Increase (decrease) in net assets	(1,339)	1,500	749
Net Assets:			
Beginning of Year	<u>3,826</u>	<u>2,326</u>	<u>1,577</u>
End of Year	<u>\$ 2,487</u>	<u>\$ 3,826</u>	<u>\$ 2,326</u>

The Bond Bank's net assets decreased by \$1.3 million during the current fiscal year. Key elements of this decrease are as follows:

Total operating revenues increased by \$14.4 million. Interest income is received on loans receivable, as well as other investments, and increased \$14.2 million. Operating fees increased by \$.2 million.

Total operating expenses increased by \$15.3 million. Interest expense on bonds payable increased \$14.4 million. The remainder of the operating expenses consists of amortization on bond related cost of issuance, administrative expenses, trustee fees and professional fees and increased \$.9 million.

Total other financing uses increased by \$1.9 million.

## DEBT ADMINISTRATION

*Long-term Debt:* At the end of the current fiscal year, the Bond Bank had bonds and notes payable net of premium/discount of \$4 billion. The bonds and notes payable are secured by specified revenue sources.

### The Indianapolis Local Public Improvement Bond Bank's Outstanding Debt (In Thousands of Dollars)

	2007	December 31, 2006	2005
Bonds payable	\$3,412,225	\$3,111,933	\$2,613,445
Note payable	587,786	237,976	200,416

During 2007, the Bond Bank issued \$465 million in new and refunding bonds and \$631 million in new notes payable.

Following is a summary of the new bonds and notes issued in the current fiscal year.

*Bond Series 2007 A* (\$33,160,000) was used to purchase the City of Indianapolis' Sanitary District Revenue Bond Series 2007A. A portion of the proceeds was used to pay the cost of issuance on the 2007A Bonds and the 2007A City of Indianapolis' Sanitary District Revenue Bonds and to pay interest on a portion of the 2007A Bonds through January 1, 2009.

*Bond Series 2007 B* (\$70,410,000) was used to purchase the City of Indianapolis' Indiana Waterworks District Net Revenue Refunding Bond Series 2007 B to be issued by the Water Works Department. A portion of the proceeds was used to pay the cost of issuance of the 2007 B bonds and 2007 B Waterwork Revenue Bonds and related expenses.

*Bond Series 2007 C* (\$74,050,000) was used to purchase the City of Indianapolis' Taxable Economic Development Revenue Bond Series 2007. A portion of the proceeds was used to pay the cost of issuance of the Series 2007 C Bonds and the City Bonds. Additionally, a portion of the proceeds was used to pay capitalized interest on the Series 2007 C Bonds through and including December 1, 2008.

*Bond Series 2007 D* (\$69,065,000) was used to purchase the City of Indianapolis' Flood Control District Refunding Bonds of Series 2007 A, City of Indianapolis' Metropolitan Thoroughfare District Refunding Bonds of Series 2007 A, City of Indianapolis' Park District Refunding Bonds of Series 2007 A, and City of Indianapolis Sanitary District Refunding Bonds of Series 2007 C. A portion of the proceeds was used to pay the cost of the issuance of the Series 2007 D Bonds and related expenses.

*Bond Series 2007 E* (\$9,910,000) was used to purchase the Indianapolis Redevelopment District Tax Increment Refunding Revenue Bond Series 2007 A. The bonds were issued to advance refund the outstanding Indianapolis Local Public Improvement Bonds Bank Bond Series 2000 D. A portion of the proceeds was used to pay the costs of issuance of the Bonds Series 2007 E.

*Bond Series 2007 F* (\$80,557,000) was used to purchase the City of Indianapolis' Sanitary District Revenue Bonds, Series 2007 E. A portion of the proceeds will be used to fund ongoing capital improvements to the system. This was the eleventh issue from the Indiana State Revolving Fund Program.

*Bond Series 2007 G* (\$6,000,000) was used to purchase the \$6,000,000 City of Indianapolis' Taxable Economic Development Revenue Bonds to be issued by the City of Indianapolis. A portion of the proceeds was used to pay the cost of issuance of the Bond Series 2007 G, underwriters' discount, and to pay certain program expenses for the Bond Bank

## **DEBT ADMINISTRATION (CONTINUED)**

*Bond Series 2007 I* (\$7,365,000) was used to advance refund of the Bond Series 2000 C. A portion of the proceeds was used to pay the cost of issuance of the Bond Series 2007 I.

*Bond Series 2007 K* (\$5,200,000) was used to purchase the City of Indianapolis' Indiana Taxable Economic Development Revenue Bonds Series 2007 (Accelerator Park at Ameriplex Project).

*Bond Series 2007 L* (\$106,000,000) was used to purchase the City of Indianapolis' Waterworks District Net Revenue Bonds, Series 2007 A and Series 2007 B, to be issued by the Waterworks Department of the City of Indianapolis. A portion of the proceeds was used to pay the costs of issuance of the Bond Series 2007 A, Series 2007 B, and Series 2007 L Bonds.

*Bond Series 2007 M* (\$3,450,000) was used to purchase the City of Indianapolis' Facilities Revenue Bonds of 2007. A portion of the proceeds was used to pay a portion of the interest due on the Bond Series 2007 M through July 15, 2008, and other costs related to the issuance of the Bond Series 2007 M.

*Note Series 2007 A* (\$3,672,000) was used to purchase the Lighthouse Academies of Indiana, Inc. Charter Schools Financing Notes, Series 2007 and to pay the issuance costs of the Note Series 2007 A.

*Note Series 2007 B* (\$7,150,000) was used to purchase the Marion County, Indiana, Limited Recourse Notes Series 2007 A and to pay the issuance costs of the Note Series 2007 B.

*Note Series 2007 C* (\$22,875,000) was used to purchase the City of Indianapolis' MECA Bond Anticipation Note Series 2007 A and to pay issuance costs of the Note Series 2007 C.

*Note Series 2007 D* (\$4,055,822) was used to purchase the City of Indianapolis Redevelopment Notes of 2007 (Ertel) and to pay the issuance cost of the Note Series 2007 D.

*Note Series 2007 E* (\$11,000,000) was used to purchase the City of Indianapolis Limited Recourse County Option Income Tax Revenue Anticipation Note Series 2007 A and to pay the issuance costs of the Note Series 2007 E.

*Note Series 2007 F* (\$25,000,000) was used to purchase the City of Indianapolis Limited Recourse County Option Income Tax Revenue Anticipation Note Series 2007 B and to pay issuance costs of the Note Series 2007 F.

*Note Series 2007 G* (\$33,456,483) was used to purchase the City of Indianapolis' MECA Bond Anticipation Note Series 2007 C and to pay issuance costs of the Note Series 2007 G.

*Note Series 2007 A-D Warrants* (\$114,875,000) proceeds were used to provide cash advances to qualified entities in anticipation of receipt of ad valorem property taxes.

*Note Series 2007 E-H Warrants* (\$120,850,000) proceeds were used to provide cash advances to qualified entities in anticipation of receipt of ad valorem property taxes.

*Note Series 2007 I Warrants* (\$14,100,000) proceeds were used to provide cash advances to qualified entities in anticipation of receipt of ad valorem property taxes.

*Note Series 2007 J-M Warrants* (\$276,300,000) proceeds were used to rollover Note Series 2007 E-H Warrants and to provide cash advances to qualified entities in anticipation of receipt of ad valorem property taxes.

## **OTHER SIGNIFICANT MATTERS**

There were no matters noted that require additional discussion.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Bond Bank's finances. Questions concerning any of this information should be addressed to The Indianapolis Local Public Improvement Bond Bank, 200 East Washington Street, Suite 2342, Indianapolis, IN 46204.

**THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK**

**STATEMENTS OF NET ASSETS**

**December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>ASSETS</b>		
Current Assets:		
Cash and equivalents	\$ 2,153,564	\$ 1,636,610
Cash and equivalents-restricted	217,829,651	114,552,668
Interest receivable	58,702,466	64,751,647
Investments held by trustee, at fair value	318,244,501	111,754,596
Loans receivable from qualified entities	382,209,006	135,605,450
Receivables and advances to qualified entities-net of allowance for doubtful accounts of \$523,000 in 2007 and \$1,696,000 in 2006.	3,086,170	4,480,156
Prepaid expenses and other assets	<u>250,000</u>	<u>250,000</u>
Total Current Assets	<u>982,475,358</u>	<u>433,031,127</u>
Noncurrent Assets:		
Investments held by trustee, at fair value		3,108,287
Loans receivable	3,116,494,303	2,999,613,538
Deferred debt issuance costs-net of accumulated amortization of \$43,759,009 in 2007 and \$39,306,544 in 2006	49,627,867	42,301,414
Total Noncurrent Assets	<u>3,166,122,170</u>	<u>3,045,023,239</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,148,597,528</u></u>	<u><u>\$ 3,478,054,366</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Interest payable	\$ 65,118,858	\$ 69,342,611
Accounts payable and accrued expenses	612,130	379,126
Funds held for qualified entities	80,368,892	54,597,619
Notes payable-current	251,758,862	146,581,000
Bonds payable-current	226,062,637	97,224,450
Total Current Liabilities	<u>623,921,379</u>	<u>368,124,806</u>
Noncurrent Liabilities:		
Notes payable	336,026,705	91,394,958
Bonds payable	<u>3,186,162,413</u>	<u>3,014,708,831</u>
Total Noncurrent Liabilities	<u>3,522,189,118</u>	<u>3,106,103,789</u>
Total Liabilities	4,146,110,497	3,474,228,595
<b>NET ASSETS</b>	<u>2,487,031</u>	<u>3,825,771</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,148,597,528</u></u>	<u><u>\$ 3,478,054,366</u></u>

*See accompanying notes.*

**THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Years Ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES</b>		
Interest	\$ 166,004,402	\$ 151,844,544
Fees	<u>3,389,252</u>	<u>3,178,034</u>
Total Operating Revenues	<u>169,393,654</u>	<u>155,022,578</u>
 <b>OPERATING EXPENSES</b>		
Interest	161,824,822	147,399,516
Amortization of debt issuance costs	4,080,712	3,459,141
Administrative costs	<u>2,014,087</u>	<u>1,734,654</u>
Total Operating Expenses	<u>167,919,621</u>	<u>152,593,311</u>
 <b>OPERATING INCOME</b>	 <u>1,474,033</u>	 <u>2,429,267</u>
 <b>OTHER FINANCING USES</b>		
Allowance and expenditures for the City	2,020,675	600,000
Allowance and expenditures for Union Station	<u>792,098</u>	<u>329,618</u>
Total Other Financing Uses	<u>2,812,773</u>	<u>929,618</u>
 <b>INCREASE (DECREASE) IN NET ASSETS</b>	 (1,338,740)	 1,499,649
 <b>NET ASSETS</b>		
Beginning of Year	 <u>3,825,771</u>	 <u>2,326,122</u>
End of Year	 <u>\$ 2,487,031</u>	 <u>\$ 3,825,771</u>

*See accompanying notes.*

**THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK**

**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>OPERATING ACTIVITIES</b>		
Fees received	\$ 3,389,252	\$ 3,178,034
Cash payments for salaries, administrative and other expenses	<u>(2,014,087)</u>	<u>(1,734,654)</u>
Net Cash Provided by Operating Activities	<u>1,375,165</u>	<u>1,443,380</u>
<b>INVESTING ACTIVITIES</b>		
Maturities of loans to qualified entities	547,078,438	421,935,120
Issuance of loans to qualified entities	(886,876,799)	(903,667,003)
(Increase) decrease in investments	(203,381,618)	(3,131,412)
(Increase) decrease in restricted cash and equivalents	(103,276,983)	(38,224,013)
Interest received on loans and investments	<u>172,053,583</u>	<u>132,533,977</u>
Net Cash Used by Investing Activities	<u>(474,403,379)</u>	<u>(390,553,331)</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from debt issuance	1,201,213,466	1,002,175,173
Debt issuance costs	(9,088,878)	(9,518,275)
Principal payments to reduce indebtedness	(551,112,058)	(475,628,517)
Transfers and expenditures for qualified entities	(1,418,787)	(3,134,033)
Interest paid on bonds and note payable	<u>(166,048,575)</u>	<u>(125,838,168)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>473,545,168</u>	<u>388,056,180</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	516,954	(1,053,771)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>1,636,610</u>	<u>2,690,381</u>
End of Year	<u>\$ 2,153,564</u>	<u>\$ 1,636,610</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating income	\$ 1,474,033	\$ 2,429,267
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of debt issuance costs	4,080,712	3,459,141
Interest income	(166,004,402)	(151,844,544)
Interest expense	<u>161,824,822</u>	<u>147,399,516</u>
Net Cash Provided by Operating Activities	<u>\$ 1,375,165</u>	<u>\$ 1,443,380</u>

*See accompanying notes.*

# THE INDIANAPOLIS LOCAL PUBLIC IMPROVEMENT BOND BANK

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Nature of Operations:*** The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) was created in 1985 under applicable State of Indiana statutes. The Bond Bank is an instrumentality of the City of Indianapolis (City) but is not a City agency and has no taxing power. It has separate corporate and sovereign capacity and its board is composed of five directors appointed by the Mayor of the City.

The Bond Bank is authorized to buy and sell securities for the purpose of providing funds to the following qualified entities:

- City of Indianapolis, including all special taxing districts thereof
- Marion County, Indiana
- Health and Hospital Corporation of Marion County
- Indianapolis Public Transportation Corporation
- Indianapolis Airport Authority
- Indianapolis-Marion County Building Authority
- Capital Improvement Board of Managers (of Marion County, Indiana)
- Marion County Convention and Recreational Facilities Authority
- Indianapolis-Marion County Library
- Public Schools Chartered by the Mayor of Indianapolis
- Fort Harrison Reuse Authority

The Bond Bank enables the qualified entities to issue debt, in some circumstances, at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. To accomplish its purpose, the Bond Bank may issue its own bonds or notes. It also has general powers to enter into, make, and perform contracts of every lawful kind to accomplish its purpose.

Bonds and notes are issued by the Bond Bank to provide funds to loan to the qualified entities and are limited obligations of the Bond Bank. They are secured and payable solely from principal and interest payments received by the Bond Bank on loans to qualified entities (evidenced by bonds and notes issued by the qualified entities) that were made from proceeds of the issuance of particular bonds or notes, and in certain issues, from designated funds and earnings held in trust. Owners of the Bond Bank bonds and notes have a claim solely against the payments received on the respective loans to qualified entities made by the Bond Bank with proceeds from the issuance of particular bonds or notes (and other funds held in trust when applicable) and have no claims or rights against any other assets held by the Bond Bank.

Indiana statutes permit the Bond Bank to invest in securities authorized by its respective fiduciary documents. These investments include obligations of the U.S. Treasury and U.S. agencies, commercial paper, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, guaranteed investment contracts and negotiable order of withdrawal accounts. Repurchase agreements are required to be fully collateralized by interest-bearing obligations as determined by the current market value computed on the day the agreement is effective.

***Basis of Presentation and Accounting:*** The Bond Bank is accounted for as a Proprietary Fund. A Proprietary Fund is used to account for an operation where periodic determination of revenues earned, expenses incurred, and net income on an accrual basis is appropriate (accrual method). Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Bond Bank has adopted Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Pursuant to this pronouncement, the Bond Bank is required to apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, that do not 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.

The Bond Bank has also adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Government*. GASB Statement No. 34 requires a specific presentation for the Bond Bank's financial statements in addition to the section for Management's Discussion and Analysis as supplementary information to precede the financial statements.

**Estimates:** Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**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.

**Investments:** All investments are reflected at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Specifically, money market funds and secured investment agreements are reflected at cost (which approximates fair value) while U.S. Government obligations are based upon quoted market prices. Changes in the fair value of investments are included in the statement of revenues, expenses and changes in net assets.

**Loans to Qualified Entities:** Loans to qualified entities are recorded at cost and adjusted for amortization of discounts/premiums on a basis that approximates a constant rate of return over the remaining life of the loan.

**Deferred Debt Issuance Costs:** Costs related to the issuance of debt, including original issue discounts and premiums, are capitalized and amortized over the term of the respective debt issue on a basis that approximates a constant effective interest rate.

**Defeasance of Debt:** Subject to specific covenants with bond or note holders, 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.

The difference between the cost of escrowed funds to defease debt and the net carrying amount of defeased debt is amortized as a component of interest expense over the life of the new debt or the defeased debt, whichever is shorter.

**Interest Rate Swap Agreements:** The Bond Bank enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes:** The Bond Bank is exempt from federal and state income taxes.

**Reclassifications:** Certain items in the 2006 financial statements have been reclassified to conform to the 2007 presentation.

## NOTE 2 - CASH AND INVESTMENTS

Proceeds of certain note and bond issues are invested with various banks in their capacity as trustees under trust agreements executed concurrently with the indentures and are pledged to the repayment of certain notes payable and bonds payable. The Bond Bank Act permits funds to be invested as provided in trust indentures executed by the Bond Bank and based on resolutions of its Board of Directors.

The Bond Bank's cash and investments at December 31, 2007, are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>
U.S. Government agency obligations	\$ 35,801,058	\$ 35,801,058
Investments not subject to categorization:		
Money market funds	140,235,504	140,235,504
Guaranteed investment contracts	328,534,919	328,534,919
Cash	<u>33,656,235</u>	<u>33,656,235</u>
Total Cash and Investments	<u>\$538,227,716</u>	<u>\$538,227,716</u>

The Bond Bank's cash and investments at December 31, 2006, are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>
U.S. Government agency obligations	\$ 37,527,197	\$ 37,527,197
Investments not subject to categorization:		
Money market funds	59,095,840	59,095,840
Guaranteed investment contracts	111,754,596	111,754,596
Cash	<u>22,674,528</u>	<u>22,674,528</u>
Total Cash and Investments	<u>\$231,052,161</u>	<u>\$231,052,161</u>

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. Funds deposited under investment agreements with banks and insurance companies are unsecured.

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2007, the Bond Bank had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
U.S. Government agency obligations	\$ 35,801,058	\$ 35,801,058			
Guaranteed investment contracts	328,534,919	328,534,919			
	<u>\$ 364,335,977</u>	<u>\$ 364,335,977</u>			

**Credit Risk Disclosure**

The following table provides information on the credit ratings associated with the Bond Bank's investments at December 31, 2007:

<b>Credit Ratings</b>	<b>S&amp;P</b>	<b>Fitch</b>	<b>Moody's</b>	<b>Fair Value</b>
U.S. Government agency Obligations	AAA	AAA	Aaa	\$ 35,801,058
AIG GIC	AA-	AA-	Aa3	1,063,960
Rabo Bank GIC	AAA	AA+	Aaa	138,272,431
RBC GIC	A	AA	Aa3	<u>189,198,528</u>
Total Rated Investments				<u>\$ 364,335,977</u>

**Concentration of Credit Risk**

There are no limits on the amount that may be invested in any one issuer. The following shows an investment in an issuer that represents 5% or more of the total investments at December 31, 2007:

Rabo Bank GIC	38%
RBC GIC	52%
U.S. Government	10%

Funds deposited under secured investment agreements earn fixed rates of interest. A majority of these investments are for the Tax Anticipation Warrant Program. The agreements allow periodic withdrawals in order to meet the financing needs of this program and expire upon extinguishment of the related Warrant Program note payable.

### NOTE 3 - LOANS TO QUALIFIED ENTITIES

All purchases of qualified obligations are authorized by the Board of Directors of the Bond Bank. 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.

The Bond Bank's loans to qualified entities at December 31, 2007 and 2006, represent loans in connection with certain original bond or note obligations as follows:

	2007	2006
Indianapolis-Marion County Building Authority Detention Center Bonds of 1989, maturing December 30, 2008 to 2012, with interest of 8%.	\$ 6,325,000	\$ 8,250,000
Health and Hospital Corporation of Marion County Bonds of 1988, Series A, maturing December 30, 2008 to 2019, with interest of 7.40%.	18,235,000	19,590,000
Indianapolis Marion County Building Authority Bonds of 1990, Series A, maturing February 1, 2008, with interest of 6.5%.	2,830,000	5,480,000
City of Indianapolis Redevelopment District Bonds, Series 1991 A, maturing February 1, 2008 to 2020, with interest on current interest bonds of 6.00%; yields on capital appreciation bonds ranging 7.20% to 7.25%.	37,257,721	39,202,721
Indianapolis Marion County Building Authority Bonds of 1991, Series B, maturing February 1, 2008, with interest at 6.125%.	805,000	1,560,000
Marion County Convention and Recreational Facilities Authority Bonds of 1991, Series C, maturing January 1, 2008 to 2017, with interest of 5.5%.	98,730,000	106,995,000
Indianapolis-Marion County Building Authority Bonds, City of Indianapolis Redevelopment District Tax Increment Revenue Bonds of 1992, Series A, maturing February 1, 2008 to 2014, with interest ranging from 6.75% to 6.80%. Partial refunding of \$55,000,000 from City of Indianapolis Redevelopment District Subordinate Limited Recourse Refunding Note, Series 1998 A, representing amounts maturing February 1, 2022, and partial refunding of \$2,000,000 from City of Indianapolis Redevelopment District Subordinate Tax Increment Revenue Bonds Series 2002 A, representing amounts maturing February 1, 2012, 2013, 2014.	84,265,000	91,125,000
City of Indianapolis Sanitary District Refunding Bonds of 1993, Series A, paid in 2007.		3,525,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis Sanitary District Bonds of 1993, Series A, maturing January 1, 2008 to 2018, with interest ranging from 5.7% to 5.9%. Partial refunding of \$27,805,000 from City of Indianapolis Sanitary District Refunding Bonds of 2007, Series A, representing amounts maturing January 1, 2018.	\$ 24,020,000	\$51,825,000
City of Indianapolis Flood Control District Refunding Bonds of 1993, Series A, paid in 2007.		1,275,000
City of Indianapolis Flood Control District Bonds of 1993, Series A, maturing January 1, 2009 to 2013, with interest ranging from 5.75% to 5.90%. Partial refunding of \$5,515,000 from City of Indianapolis Flood Control District Refunding Bonds of 2007, Series A, representing amounts maturing January 1, 2018.	4,130,000	9,645,000
City of Indianapolis Park District Refunding Bonds of 1993, Series A, maturing January 1, 2008, with interest of 5.70%.	2,145,000	2,365,000
City of Indianapolis Park District Bonds of 1993 Series A, maturing January 1, 2009 to 2013, with interest ranging from 5.75% to 5.90%. Partial refunding of \$11,835,000 from City of Indianapolis Park District Refunding Bonds of 2007, Series A, representing amounts maturing January 1, 2018.	8,880,000	20,715,000
City of Indianapolis Metropolitan Thoroughfare District Refunding Bonds of 1993, Series A, maturing January 1, 2008, with interest of 5.70%.	3,230,000	6,465,000
City of Indianapolis Metropolitan Thoroughfare District Bonds of 1993, Series A, maturing January 1, 2009 to 2013, with interest ranging from 5.75% to 5.90%. Partial refunding of \$21,195,000 from City of Indianapolis Metropolitan Thoroughfare District Refunding Bonds of 2007, Series A, representing amounts maturing January 1, 2018.	15,895,000	37,090,000
City of Indianapolis Redevelopment District Bonds of 1993, Series A, maturing January 1, 2008 to 2013, with yields on capital appreciation bonds ranging from 6.05% to 6.3%.	34,859,175	37,859,175
City of Indianapolis Sanitary District Project Bonds, Series 1995 A, maturing January 1, 2008 to 2015, with interest ranging from 5% to 5.25%.	3,835,000	4,215,000
City of Indianapolis Redevelopment District Project Bonds, Series 1995 A, maturing January 1, 2008 to 2015, with interest ranging from 5% to 5.25%.	1,980,000	2,180,000
City of Indianapolis Flood Control District Project Bonds, Series 1995 A, maturing January 1, 2008 to 2015, with interest ranging from 5% to 5.25%.	1,345,000	1,480,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Indianapolis-Marion County Building Authority Bonds, Series 1997 A, maturing January 1, 2008 to 2017, with interest ranging from 7.15% to 7.50%.	\$ 7,210,000	\$ 7,675,000
City of Indianapolis Taxable Parks Project Revenue Refunding Bonds, Series 1998 A, maturing January 15, 2008 to 2013, with interest ranging from 6.75% to 6.80%.	1,310,000	1,485,000
City of Indianapolis Sanitary District Bonds, Series 1998 A, maturing January 1, 2008 to 2019. No interest charged through December 31, 1999, and 3.5% thereafter to maturity. Aggregate principal amount limited to \$23,000,000. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	16,215,000	16,011,466
Capital Improvement Board of Managers of Marion County Excise Taxes Revenue Bonds and Notes, Series 1999 A, maturing June 1, 2007 to 2021, with interest at 5.0%.	28,195,000	31,600,000
Indianapolis Public Transportation Corporation General Obligation Bonds, Series 1998 A, maturing June 1, 2008 to 2015, with interest ranging from 4.5% to 5.0%.	9,020,000	9,825,000
Indianapolis Public Safety Communications Systems and Computer Facilities District Bonds, Series 1999 A, maturing January 1, 2008 to 2010, with interest ranging from 5% to 5.2%.	6,295,000	8,200,000
City of Indianapolis Redevelopment District Subordinate Tax Increment Revenue and Refunding Bonds Series 1999 A, maturing February 1, 2008 to 2029, with interest ranging from 4.7% to 5.0%; yields on capital appreciation bonds ranging from 5.65% to 5.82%.	247,525,000	250,135,000
City of Indianapolis Sanitary District Bond, Series 2000 A, maturing January 1, 2008 to 2021. No interest charged through June 30, 2001, and 3.5% thereafter to maturity. Aggregate principal amount limited to \$32,000,000. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	21,983,607	22,072,920
City of Indianapolis Sanitary District Revenue Bonds Series 2000 B, maturing January 1, 2008 to 2010, with interest ranging from 4.7% to 5.0%. Partial refunding of \$6,785,000 from Sanitary District Revenue Refunding Bonds Series 2007 I, representing amounts maturing January 1, 2021, with interest ranging from 4.75% to 6.0%.	1,185,000	8,350,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis Redevelopment District Tax Increment Revenue Bonds Series 2000 A, refunded in 2007.		\$ 9,370,000
City of Indianapolis Transportation Refunding Revenue Bonds, Series 2001, maturing January 1, 2008 to July 1, 2010, with interest ranging from 5.0% to 5.5%.	\$13,115,000	17,060,000
City of Indianapolis, Indiana Enhanced Emergency Telephone System Revenue Bonds, Series 2001, maturing January 1, 2008 to July 1, 2011, with interest of 5.0%.	6,035,000	7,430,000
City of Indianapolis, Indiana Sanitary District Revenue Bonds of 2001, Series, maturing January 1, 2008 to January 1, 2023, with an interest rate of 4.0%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	34,968,767	36,396,054
City of Indianapolis, Waterworks Revenue Bonds, Series 2002A, maturing July 1, 2008 to January 1, 2014, with interest ranging from 4.25% to 5.50%. Partial refunding of \$377,635,000 from City of Indianapolis Waterworks Revenue Bonds Series 2005 G, representing amounts maturing July 1, 2025; partial refunding of \$ 82,365,000 from City of Indianapolis Waterworks Net Refunding Revenue Bonds Series 2006 A, representing amounts maturing January 1, 2022; and partial refunding of \$76,235,000 from City of Indianapolis Waterworks District Net Revenue Refunding Bonds Series 2007 B, representing amounts maturing January 1, 2025, with interest at 5.125%.	39,720,000	115,955,000
City of Indianapolis, Waterworks Revenue Bonds, Series 2002B, paid in 2007.		975,000
Indianapolis Public Transportation Corporation General Obligation Bonds, Series 2002, maturing January 10, 2008 to January 10, 2017, with interest ranging from 3.25% to 5.13%.	4,100,000	4,315,000
City of Indianapolis, Indiana Sanitary District Revenue Bonds of 2002 B Series, maturing January 1, 2007 to January 1, 2024, with an interest rate of 4.00%. All funds remain in trust with the State of Indiana until disbursement request are processed by the State.	35,864,492	37,352,830
City of Indianapolis Redevelopment District Annual Appropriation Revenue Bonds, Series 2002, maturing February 1, 2008 to 2012, with interest ranging from 3.15% to 3.85%.	2,160,000	2,570,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis Subordinate District Tax Increment Refunding Bonds Series 2002 A, maturing February 1, 2008 to February 1, 2020, with an interest rate based on a weekly prime rate index, as defined. The active index may be changed to anyone of four indices, as defined, at the option of the Bond Bank. However, the effective interest rate cannot exceed 10% per annum. Subject to a swap agreement.	\$128,685,000	\$128,905,000
City of Indianapolis Subordinate District Tax Increment Refunding Bonds Series 2002 B, maturing February 1, 2012 to February 1, 2029, with interest ranging from 3.9% to 5.0%.	29,365,000	29,365,000
Marion County, Indiana Limited Recourse Notes, Series 2003 A, maturing March 1, 2008, with interest at 4.54%.	7,076,424	7,054,299
City of Indianapolis 21st Century School Note, maturing January 10, 2011, with monthly installments of \$20,000 and interest at the prime money market rate.		464,778
City of Indianapolis Airport Authority Revenue Bonds, Series 2003 A, maturing January 1, 2008 to January 1, 2033, with interest ranging from 4.63% to 5.63%.	105,835,000	121,230,000
City of Indianapolis-Marion County Building Authority Arrestee Processing Center Lease Rental Revenue Bonds of 2003, maturing January 15, 2008 to January 15, 2023, with interest ranging from 3.00% to 5.00%.	10,755,000	11,240,000
City of Indianapolis General Obligation Refunding Bonds, with Series 2003, maturing January 1, 2008, interest of 5.5%.	390,000	761,000
City of Indianapolis, Park District Refunding Bonds, Series 2003 A, maturing January 1, 2008 to January 1, 2018, with interest ranging from 4.5% to 5.5%.	4,893,000	4,968,000
City of Indianapolis, Metropolitan Thoroughfare District Bonds, Series 2003 A, maturing January 1, 2008 to January 1, 2018, with interest ranging from 4.50% to 5.50%.	2,575,000	2,895,000
City of Indianapolis, Metropolitan Thoroughfare District Refunding Bonds, Series 2003A, maturing January 1, 2008 to January 1, 2018, with interest ranging from 4.5% to 5.5%.	10,586,000	13,141,000
City of Indianapolis, Sanitary District Refunding Bonds, Series 2003 A, maturing January 1, 2008 to January 1, 2018, with interest ranging from 4.5% to 5.5%.	11,118,000	11,914,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis, Flood Control District Refunding Bonds, Series 2003A, maturing January 1, 2008 to January 1, 2018, with interest ranging from 4.5% to 5.5%.	\$ 4,407,000	\$ 6,891,000
City of Indianapolis-Marion County Public Library General Obligation Refunding Bonds, Series 2003, maturing January 1, 2008 to January 1, 2009, with interest ranging from 4.5% to 5.5%.	811,000	1,330,000
City of Indianapolis IndyRoads Revenue Bonds, Series 2003, maturing January 1, 2008 to 2019, with interest ranging from 3.0% to 5.0%.	17,130,000	18,300,000
City of Indianapolis, Waterworks District Improvement, Series 2004, maturing July 1, 2035 to January 1, 2036, bearing interest at an auction rate.	50,000,000	50,000,000
City of Indianapolis, Circle Block Project, Series 2004 B, maturing April 1, 2008 to April 1, 2030, with an interest rate adjusted weekly by NatCity Investments, Inc. The Series 2004 B Bonds may be converted to a fixed rate.	8,700,000	9,900,000
City of Indianapolis, Circle Block Project, Series 2004 C, maturing April 1, 2008 to 2039, with interest ranging from 3.50% to 5.38%.	19,550,000	19,550,000
City of Indianapolis, Fall Creek Project, Series 2004 A, maturing February 1, 2008 to February 1, 2028, with interest ranging from 3.30% to 5.40%.	12,600,000	12,600,000
City of Indianapolis, Sanitary District Bonds, Series 2004 A, maturing January 1, 2008 to January 1, 2024, with an interest rate of 3.58%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	7,662,000	7,986,000
City of Indianapolis, Sanitary District Bonds, Series 2004 B, maturing January 1, 2008 to January 1, 2026, with an interest rate of 4.13%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	22,820,610	21,124,854
City of Indianapolis Airport Authority Revenue Bonds, Series 2004 A, maturing January 1, 2008 to 2034, with interest ranging from 4.75% to 5.25%.	215,675,000	218,735,000
City of Indianapolis, Sanitary District Bonds Series 2004 J, maturing January 1, 2008 to January 1, 2026, with an interest rate of 3.69%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	58,459,502	47,213,720

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis, Sanitary District and Stormwater Commercial Paper, maturing February 6, 2007, with various interest rates.		\$ 9,166,001
City of Indianapolis Simon Notes Series 2004 A, maturing August 1, 2014, with an interest rate of LIBOR plus 110 basis points.	\$ 3,353,169	4,501,202
City of Indianapolis Simon Notes Series 2004 B, maturing February 1, 2010, to August 1, 2014, with an interest rate of LIBOR plus 110 basis points.	11,225,000	12,530,000
City of Indianapolis Simon Notes Series 2004 C, maturing August 1, 2014, with an interest rate of LIBOR plus 110 basis points.	17,600,000	17,600,000
City of Indianapolis, Pension Bonds of 2005, Series A maturing July 15, 2008 to January 15, 2022, with an interest rate ranging from 3.79% to 5.28%.	97,610,000	100,000,000
City of Indianapolis Airport Authority Revenue Bonds, Series 2005 A, maturing January 1, 2023 to 2033, with an interest rate ranging from 4.75% to 5.25%.	197,385,000	197,385,000
Health and Hospital Corporation of Marion County Series 2005, maturing July 1, 2008 to January 1, 2025, with an interest rate ranging from 3.50% to 5.25%.	26,140,000	27,220,000
City of Indianapolis Waterworks District Net Revenue Refunding Bonds, Series 2005 F, maturing July 1, 2008 to January 1, 2029, with an interest rate ranging from 3.5% to 5.0%.	70,235,000	70,255,000
City of Indianapolis Waterworks District Net Revenue Refunding Bonds, Series 2005 G, maturing July 1, 2008 to January 1, 2035, with interest at a variable weekly rate, subject to a swap agreement.	388,100,000	388,100,000
City of Indianapolis Waterworks District Net Revenue Bonds, Series 2005 H, maturing July 1, 2036 to January 1, 2037, with interest at a variable weekly rate, subject to a swap agreement.	47,810,000	47,810,000
City of Indianapolis Fall Creek Notes Series 2005 A, maturing August 1, 2010, with an interest rate of LIBOR plus 96 basis points.	2,888,844	826,257
City of Indianapolis Redevelopment District Limited Recourse Notes Series 2005 B, maturing August 10, 2010, with an interest rate of LIBOR plus 95 basis points.	2,698,135	2,155,396

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis Redevelopment District Limited Recourse Notes Series 2005 C, maturing August 1, 2010, with an interest rate of 3.85%.	\$ 2,233,601	\$ 1,395,315
Marion County Family & Children Fund Series 2005, maturing January 1, 2007, with an interest rate of 3.86%.		8,065,000
Marion County Family & Children Fund Series 2006, maturing January 1, 2008, with interest at 4.44%.	33,360,000	33,360,000
City of Indianapolis, Sanitary District Bonds, Series 2005 A, maturing January 1, 2008 to 2027, with an interest rate of 2.9%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	56,105,144	28,908,236
City of Indianapolis, Waterworks District Net Refunding Revenue Bonds, Series 2006A, maturing January 1, 2016 to 2022, with an interest rate of 5.5%.	77,830,000	77,830,000
City of Indianapolis, Facilities Revenue Bonds, Series 2006, maturing January 15, 2021, with interest ranging from 4.0% to 5.0%.	16,275,000	16,550,000
City of Indianapolis, Stormwater District Revenue Bonds, Series 2006 A, maturing January 1, 2009 to 2026, with interest ranging from 4.0% to 5.0%.	43,430,000	43,430,000
City of Indianapolis, Sanitary District Revenue Bonds, Series 2006 A, maturing January 1, 2008 to 2028, with an interest rate of 3.08%. All funds remain in trust with the State of Indiana until disbursement requests are processed by the State.	23,667,785	7,634,034
Indianapolis Airport Authority Revenue Bonds, Series 2006 A, maturing January 1, 2008 to 2026, with interest ranging 4.0% - 5.0%.	346,995,000	346,995,000
Indianapolis Airport Authority Taxable Airport Revenue Bonds, Series 2006 B, maturing January 1, 2008 to 2013, with a fixed interest rate ranging from 5.43% to 5.59%.	42,790,000	42,790,000
City of Lawrence, (Fort Harrison Reuse Authority), Fort Harrison Military Base Reuse District Tax Increment Bonds, Series 2006, maturing February 1, 2008 to 2026, with a fixed interest rate ranging from 4.0% - 5.0%.	11,310,000	11,795,000
City of Indianapolis, Sanitary District Revenue Bonds, Series 2006 B, maturing January 1, 2009 to 2028, with an interest rate of 2.9%.	11,607,325	220,000

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis, Limited Recourse COIT Revenue Anticipation Notes, Series 2006, maturing September 6, 2007, with an interest rate of 6%.		\$ 9,108,090
MECA Bond Anticipation Notes of 2006, dated December 22, 2006, maturing December 22, 2011, with an interest rate of 4.68%.	\$ 33,094,448	5,000,000
2006 City Vehicle Lease, maturing November 10, 2011, with interest at 3.92%.	6,276,905	7,800,000
IndyGo Ban Note, maturing April 29, 2009, with no interest charged through December 31, 2004, and thereafter at 3.04%.	4,235,340	2,000,000
City of Indianapolis, Sanitary District Revenue Bonds, Series 2007 A, maturing January 1, 2009 to January 1, 2027, with interest ranging from 3% to 5%.	33,160,000	
City of Indianapolis, Waterworks District Net Revenue Refunding Bonds, Series 2007 B, maturing January 1, 2022 to 2025, with an interest rate of 5.25%.	70,410,000	
City of Indianapolis, Taxable Economic Development Revenue Bonds, Series 2007 C, maturing June 1, 2009 to 2035, with an interest rate of 5.903%.	74,050,000	
City of Indianapolis, Flood Control District Refunding Bonds, Series 2007 A, maturing January 1, 2008 to 2018, with an interest rate of 5.0%.	5,735,000	
City of Indianapolis, Metropolitan Thoroughfare District Refunding Bonds, Series 2007 A, maturing January 1, 2008 to 2018, with an interest rate of 5.0%.	22,060,000	
City of Indianapolis, Park District Refunding Bonds, Series 2007 A, maturing January 1, 2008 to 2018, with an interest rate of 5%.	12,320,000	
City of Indianapolis, Sanitary District Refunding Bonds, Series 2007 C, maturing January 1, 2008 to 2018, with an interest rate of 5.0%.	28,950,000	
City of Indianapolis, Redevelopment District Tax Increment Refunding Revenue Bonds, Series 2007 A, maturing February 1, 2008 to February 1, 2021, with interest ranging from 4.0% to 4.125%.	9,910,000	

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
City of Indianapolis, Taxable Economic Development Revenue Bonds, 2007 (Glendale Mall), maturing February 1, 2008 to 2027, with interest ranging 5.45% to 6.21%.	\$ 6,000,000	
City of Indianapolis, Sanitary District Net Revenue Refunding Bonds, Series 2007 I, maturing January 1, 2009 to 2021, with interest ranging from 4% to 4.75%.	7,365,000	
City of Indianapolis, Taxable Economic Development Revenue Bonds, Series 2007 (PRF Accelerator), maturing February 1, 2009 to 2023, with an interest rate of 6.2%.	5,200,000	
City of Indianapolis, Waterworks District Net Revenue Bonds, Series 2007A, maturing January 1, 2026 to 2027, with an interest rate of 4.75%.	1,500,000	
City of Indianapolis, Waterworks District Net Revenue Bonds, Series 2007B, maturing July 1, 2009 to 2038, with interest ranging 4% to 5.25%.	104,500,000	
Facilities Revenue Bonds of 2007, maturing January 15, 2009 to 2021, with interest ranging 3.75% to 4.125%.	3,450,000	
Lighthouse Academies Inc. of Indiana, Charter Schools Financing Notes of 2007, dated March 30, 2007, maturing January 1, 2008 to 2014, with an interest rate of 4.465%.	3,317,237	
City of Indianapolis, Redevelopment Notes of 2007 (Ertel), dated August 30, 2007, maturing August 30, 2009, with an interest rate of 5.07%.	4,055,822	
City of Indianapolis, Limited Recourse County Option Income Tax Revenue Anticipation Notes, Series 2007 A, dated September 4, 2007, maturing October 2, 2008, with an interest rate of 4.25%	10,684,897	
Series 2007 J-M dated December 27, 2007, maturing July 1, 2008, and January 1, 2009, with interest at 2.90%.	87,101,472	
Series 2007 A Tax Revenue Note, dated April 26, 2007, maturing January 15, 2009, with an interest rate of 3.72%	920,000	
Series 2007 B Tax Revenue Note dated June 1, 2007, maturing January 4, 2009, with interest at 4.50%.	1,440,000	

**NOTE 3 - LOANS TO QUALIFIED ENTITIES (CONTINUED)**

	<b>2007</b>	<b>2006</b>
County Option Income Tax Revenue Anticipation Notes, Series 2007 B, dated December 20, 2007, maturing January 12, 2009, with an interest rate of 4%.	<u>\$ 25,000,000</u>	<u>3,303,618,548</u>
Less: Unamortized discount/premium	<u>(146,818,141)</u>	<u>(168,399,560)</u>
Total Loans Receivable	<u>\$3,498,703,309</u>	<u>\$3,135,218,988</u>

All of the loans to qualified entities are registered in the Bond Bank's name and are either serial, term, or serial and term maturities.

**NOTE 4 - BONDS AND NOTES PAYABLE**

The Bond Bank's bonds payable at December 31, 2007 and 2006, are summarized as follows:

	<b>2007</b>	<b>2006</b>
Series 1986 A Bonds, maturing February 1, 2007, with interest at 7.9%.		\$ 2,600,000
Series 1991 A Bonds, maturing February 1, 2007 to 2014, with yields on capital appreciation bonds ranging from 7.15% to 7.25%. These bonds were partially defeased in 2001.	\$ 16,480,000	18,425,000
Series 1991 C Bonds, maturing January 1, 2010, with yields on capital appreciation bonds of 7.20%.	9,275,000	17,405,000
Series 1992 B Bonds, maturing January 10, 2008 to January 1, 2020, with an interest rate of 6.00%.	28,135,000	30,195,000
Series 1992 D Bonds, maturing February 1, 2008 to 2014, with interest ranging from 6.75% to 6.8%. During 1998, defeased \$55,000,000 of amounts maturing February 1, 2022; during 1999, defeased \$2,000,000 of amounts maturing February 1, 2012, 2013, and 2014; and during 2002, defeased \$125,335,000 of amounts maturing February 1, 2015 to 2020.	84,265,000	91,125,000
Series 1993 A Bonds, maturing January 10, 2008 to 2018, with yields on capital appreciation bonds ranging from 5.9% to 6.3%. During 1998, defeased \$148,615,000 of current interest bonds maturing January 10, 2006 through 2018. During 2003, defeased \$39,300,000 of interest bonds maturing January 10, 2004 through 2018.	34,830,000	37,830,000

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 1995 A Refunding Bonds, maturing January 1, 2008 to 2017, with interest ranging from 5.0% to 6.5%. The carrying value of the debt represents the \$48,360,000 and \$48,735,000 of the Series 1995 A Refunding Bonds outstanding at December 31, 2007 and 2006, respectively, net of unamortized loss on defeasance of \$2,491,001 and \$3,389,974 at December 31, 2007 and 2006, respectively. During 2004, \$50,035,000 was refunded using the proceeds of Series 2004 F Bonds.	\$ 45,868,999	\$ 45,345,021
Series 1995 B Bonds, maturing February 1, 2008 to 2015, with interest ranging from 5.0% to 5.25%.	7,160,000	7,875,000
Series 1997 A Bonds, maturing January 15, 2008 to 2017, with interest ranging from 7.15% to 7.50%.	7,210,000	7,675,000
Series 1998 A Refunding Bonds, maturing February 1, 2008 to 2018, with interest ranging from 5.25% to 6.00%. The carrying value of the debt represents the \$65,410,000 and \$145,870,000 of the Series 1998 A Refunding Bonds outstanding at December 31, 2007 and 2006, respectively, net of unamortized loss on defeasance of \$1,096,919 and \$4,351,741 at December 31, 2007 and 2006, respectively.	64,313,081	141,518,259
Series 1998 B Refunding Bonds, maturing January 15, 2008 to 2013, with interest ranging from 6.75% to 6.80%.	1,310,000	1,485,000
Series 1998 E Bonds, maturing January 1, 2008 to 2019. No interest charged through December 30, 1999, and thereafter at 3.5%. Aggregate principal amount limited to \$23,000,000.	16,215,000	16,011,466
Series 1999 B Bonds, maturing June 1, 2008 to 2021, with interest on current interest bonds ranging from 4.5% to 5.0% .	28,195,000	31,600,000
Series 1999 C Refunding Bonds, maturing January 10, 2008 to 2016, with interest ranging from 4.5% to 5.0%.	9,825,000	10,545,000
Series 1999 D Bonds, maturing January 1, 2008 to 2010, with interest ranging from 5.0% to 5.20%.	6,295,000	8,200,000
Series 1999 E Refunding Bonds, maturing February 1, 2007 to 2029, with interest on current interest bonds ranging from 4.5% to 5.0%; yields on capital appreciation bonds ranging from 5.65% to 5.82%. During 2002, defeased \$27,000,000 of amounts maturing February 1, 2029.	247,524,999	250,135,000

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2000 B Bonds, maturing January 1, 2008 to 2021, no interest charged through June 30, 2002, and 3.5% thereafter to maturity. Aggregate principal amount limited to \$32,000,000.	\$ 21,983,607	\$ 22,072,920
Series 2000 C Bonds, maturing January 1, 2008 to 2021, with interest ranging from 4.75% to 5.0%.	1,185,000	8,350,000
Series 2000 D Bonds. Paid in 2007.		9,370,000
Series 2001 A Bonds, maturing July 1, 2008 to 2010, with interest ranging from 5.0% to 5.5%.	13,115,000	17,060,000
Series 2001 C Bonds, maturing February 1, 2008 to 2020, with interest ranging from 4.30% to 5.25%. The carrying value of the debt represents the \$21,785,000 and \$21,865,000 of the Series 2001 C Refunding Bonds outstanding at December 31, 2007 and 2006, respectively, net of unamortized loss on defeasance of \$833,099 and \$1,095,086 at December 31, 2007 and 2006, respectively.	20,951,901	20,769,914
Series 2001 D Bonds, maturing January 1, 2008 to July 1, 2011, with an interest rate of 5.0%.	6,075,000	7,430,000
Series 2001 E Bonds, maturing January 1, 2008 to 2023, with an interest rate of 4.0%.	34,968,767	36,396,054
Series 2002 A Bonds, maturing July 1, 2007 to July 1, 2027, with interest ranging from 4.25% to 5.50% during 2007, Series 2006A refunded \$82,365,000 of interest bonds maturing July 1, 2025 through 2035. The carrying value of the debt represents \$39,720,000 of the Series 2002 A Bonds outstanding, net of unamortized gain on defeasance of \$218,613 and \$93,870 at December 31, 2007 and 2006, respectively.	39,938,613	116,048,870
Series 2002 B Bonds. Paid during 2007.		975,000
Series 2002 C Bonds, maturing January 10, 2008 to 2017, with interest ranging from 3.25% to 5.125%.	4,315,000	4,540,000
Series 2002 D Bonds, maturing January 1, 2008 to 2024, with an interest rate of 4.00%.	35,864,492	37,352,830
Series 2002 E Bonds, maturing February 1, 2008 to 2012, with interest ranging from 3.15% to 3.85%.	2,160,000	2,570,000

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2002 F Bonds, maturing February 1, 2008 to 2020. Interest rate at issuance is based on a weekly prime rate index, as defined. The active index may be changed to any one of four other indices, as defined, at the option of the Bond Bank. However, the effective interest rate cannot exceed 10% per annum. Subject to a swap agreement (see Note 5).	\$128,685,000	\$128,905,000
Series 2002 G Bonds, maturing February 1, 2012 to 2029, with interest ranging from 3.90% to 5.00%.	29,365,000	29,365,000
Series 2003 A Bonds, maturing January 1, 2008 to 2033, with interest ranging from 4.25% to 5.625%.	105,835,000	121,230,000
Series 2003 B Bonds, maturing January 15, 2008 to 2023, with interest ranging from 3.00% to 5.00%.	10,755,000	11,240,000
Series 2003 D Bonds, maturing January 10, 2008 to 2018, with interest ranging from 4.5% to 5.5%. The carrying value of the debt represents the \$34,780,000 and \$41,900,000 of the Series 2003 D Bonds outstanding at December 31, 2007 and 2006, respectively, net of unamortized loss on defeasance of \$145,630 and \$177,133 at December 31, 2007 and 2006, respectively.	34,634,370	41,722,867
Series 2003 E Bonds, maturing January 1, 2008 to 2019, with interest ranging from 3.0% to 5.0%.	17,130,000	18,300,000
Series 2004 A Bonds, maturing July 1, 2035, to January 1, 2036, bearing interest at an auction rate.	50,000,000	50,000,000
Series 2004 B Bonds, maturing April 1, 2008 to 2030, with an interest rate adjusted weekly by NatCity Investments, Inc.	9,900,000	9,900,000
Series 2004 C Bonds, maturing April 1, 2008 to 2039, with interest ranging from 3.50% to 5.375%.	19,550,000	19,550,000
Series 2004 E Bonds, maturing February 1, 2008 to 2028, with interest ranging from 3.30% to 5.40%.	12,600,000	12,600,000
Series 2004 G Bonds, maturing January 1, 2015 to 2024. No interest charged through December 31, 2004, and thereafter at 3.58%. Aggregate principal amount limited to \$8,600,000.	7,662,000	7,986,000
Series 2004 H Bonds, maturing January 1, 2008 to 2026. No interest charged through December 31, 2005, and thereafter at 4.13%. Aggregate principal amount limited to \$25,000,000.	22,820,610	21,124,854

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2004 I Bonds, maturing January 1, 2008 to 2034, with interest ranging from 4.75% to 5.25%.	\$215,675,000	\$218,735,000
Series 2004 J Bonds, maturing January 1, 2008 to 2026, with an interest rate of 3.69%.	58,459,502	47,213,720
Series 2005 A Bonds, maturing July 15, 2008 to January 15, 2022, with interest ranging from 3.79% to 5.28%.	97,610,000	100,000,000
Series 2005 B Bonds, maturing January 1, 2023 to 2033, with interest ranging from 4.75% to 5.25%.	197,385,000	197,385,000
Series 2005 D Bonds, maturing January 1, 2008 to 2025, with interest ranging from 3.50% to 5.25%.	26,505,000	27,220,000
Series 2005 E Bonds, maturing January 1, 2007 to 2017, with interest ranging from 4.00% to 5.00%.	50,260,000	50,700,000
Series 2005 F Bonds, maturing July 1, 2008 to January 1, 2029, with interest ranging from 3.5% to 5.0%. The carrying value of the debt represents \$70,255,000 of the Series 2005 F Bonds outstanding, net of unamortized gain on defeasance of \$1,143,354 at December 31, 2007 and 1,295,064 at December 31, 2006.	71,398,354	71,550,064
Series 2005 G Bonds, maturing July 1, 2008 to January 1, 2035, bearing interest at a weekly rate, subject to a swap agreement.	388,100,000	388,100,000
Series 2005 H Bonds, maturing July 1, 2036 to January 1, 2034, bearing interest at a weekly rate, subject to a swap agreement.	47,810,000	47,810,000
Series 2005 I Bonds, maturing January 1, 2008 to 2027, with an interest rate at 2.9%.	56,105,144	28,908,236
Series 2006 A Bonds, maturing January 1, 2016 to 2022, with an interest rate at 5.5%.	77,830,000	77,830,000
Series 2006 B Bonds, maturing July 15, 2007 to 2021, with interest ranging from 4.0% to 5.0%.	16,275,000	16,550,000
Series 2006 D Bonds, maturing January 1, 2009 to 2026, with interest ranging from 4% to 5%.	43,430,000	43,430,000
Series 2006 E Bonds, maturing January 1, 2009 to 2028, with an interest rate of 3.08%.	23,667,785	7,634,034

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2006 F Bonds, maturing January 1, 2008 to 2037, with interest ranging from 4% to 5.25%.	\$ 346,995,000	\$ 346,995,000
Series 2006 G Bonds, maturing January 1, 2008 to 2013, with interest ranging from 5.43% to 5.59%.	42,790,000	42,790,000
Series 2006 H Bonds, maturing February 1, 2008 to 2026, with interest ranging from 4.0% to 5.0%.	11,310,000	11,795,000
Series 2006 I Bonds, maturing January 1, 2009 to 2028, with an interest rate of 2.9%.	34,750,850	34,750,000
Series 2007 A Bonds, maturing January 1, 2009 to 2027, with interest ranging from 3% to 5%.	33,160,000	
Series 2007 B Bonds, maturing January 1, 2022 to 2025, with an interest rate of 5.25%.	70,410,000	
Series 2007 C (Indianapolis Colts, Inc. Project), maturing June 1, 2009 to 2035, with an interest rate of 5.9%.	74,050,000	
Series 2007 D, Refunding Bonds, maturing February 1, 2008 to 2018, with an interest rate of 5%.	69,065,000	
Series 2007 E, Refunding Bonds, maturing February 1, 2008 to 2021, with interest ranging from 4% to 4.125%.	9,910,000	
Series 2007 F Bonds, maturing January 1, 2008 to 2027, with an interest rate of 4.4%.	80,557,000	
Glendale Mall Taxable Bonds, 2007G, maturing February 1, 2008 to 2027, with interest ranging from 5.45% to 6.21%.	6,000,000	
Series 2007 I, Refunding Bonds, maturing January 1, 2009 to 2021, with interest ranging from 4% to 4.75%.	7,365,000	
Series 2007 K Bonds, maturing February 1, 2009 to 2027, with an interest rate of 6.2%.	5,200,000	
Series 2007 L Bonds, maturing July 1, 2009 to January 1, 2038, with interest ranging from 4% to 5.25%.	106,000,000	

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2007 M Bonds, maturing January 15, 2009 to July 15, 2021, with interest ranging from 3.75% to 4.125%.	<u>\$ 3,450,000</u>	
	3,511,124,756	3,232,225,308
Less: Unamortized discount/premium	<u>(98,899,706)</u>	<u>(120,292,027)</u>
	3,412,225,050	3,111,933,281
Less: Current Portion of Bonds of Payable	<u>(226,062,637)</u>	<u>(97,224,450)</u>
Long-term Portion of Bonds Payable	<u>\$3,186,162,413</u>	<u>\$ 3,014,708,831</u>

All of the bonds issues listed above are either serial or serial and term maturities.

The Bond Bank's notes payable at December 31, 2007 and 2006, are summarized as follows:

	<b>2007</b>	<b>2006</b>
Limited Obligation Note, Series 2003 A, proceeds used to purchase the Marion County, Indiana Limited Recourse Notes, Series 2003 A, maturing March 1, 2008, with interest of 4.54%.	\$ 7,150,000	\$ 7,150,000
Series 2004 IndyGo Ban Note, maturing April 29, 2009, with no interest charged through December 31, 2004, and thereafter at 3.04%.	5,000,000	5,000,000
Series 2004 A–C, dated October 28, 2004, maturing February 1, 2015 to 2019, with interest at LIBOR plus 110 basis points.	32,178,169	34,631,402
2004 Sanitary District and Stormwater Commercial Paper, maturing February 6, 2007, with interest at 3.62%.		9,166,001
Series 2005 A, dated August 1, 2005, maturing August 10, 2010, with interest at LIBOR plus 96 basis points.	2,888,844	826,257
Series 2005 B, dated August 1, 2005, maturing August 10, 2010, with interest at LIBOR plus 95 basis points.	2,698,135	2,155,396
Series 2005 C (Brokenburr), dated September 9, 2005, maturing August 1, 2010, with interest at 3.85%.	2,500,000	2,500,000
Series 2005 Marion County Family and Children Fund, dated November 16, 2005, maturing January 1, 2007, with interest at 3.86%.		8,065,000
Series 2006 Marion County Family and Children Fund, dated August 23, 2006, maturing January 1, 2008, with interest at 4.44%.	33,360,000	33,360,000

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

	<b>2007</b>	<b>2006</b>
Series 2006 E-H, dated June 1, 2006, maturing January 4, 2007, with interest at 4.50%.		\$108,200,000
Series 2006 B, dated August 18, 2006, maturing December 31, 2008, with interest at 4.34%.	\$ 33,456,483	5,000,000
Series 2006 Limited Recourse Notes, dated August 7, 2006, maturing September 6, 2007, with interest at 6%.		9,121,902
Series 2006 C Limited Obligation Notes, dated December 22, 2006, maturing December 22, 2011, with interest at 4.68%.	5,000,000	5,000,000
2006 City Vehicle Lease, dated November 10, 2006, maturing November 10, 2011, with interest at 3.92%.	6,276,905	7,800,000
Series 2007 F Limited Recourse Notes, dated December 20, 2007, maturing January 12, 2009, with an interest rate of 4%.	25,000,000	
Series 2007 A Notes, dated March 30, 2007, maturing January 1, 2008 to March 30, 2014, with an interest rate of 4.465%.	3,611,209	
Series 2007 E-H, dated June 1, 2007, maturing January 8, 2008, with interest at 4.50%.	120,850,000	
Series 2007 J-M, dated December 28, 2007, maturing July 1, 2008 and January 8, 2009 with interest at 2.90%.	276,300,000	
Series 2007 A Tax Revenue Note, dated April 26, 2007, maturing January 15, 2008, with an interest rate of 3.72%.	920,000	
Series 2007 D Notes, dated August 30, 2007, maturing August 3, 2009, with an interest rate of 5.07%.	4,055,822	
Series 2007 E Limited Recourse Notes, dated September 4, 2007, maturing October 2, 2008, with an interest rate of 4.25%.	11,000,000	
Series 2007 B Tax Revenue Note, dated June 1, 2007, maturing January 4, 2009, with interest at 4.50%.	1,440,000	
Series 2007 I, dated June 1, 2006, maturing January 4, 2009, with interest at 4.50%.	<u>14,100,000</u>	
	587,785,567	237,975,958
Less: Current Portion of Notes Payable	<u>(251,758,862)</u>	<u>(146,581,000)</u>
Long-term Portion of Notes Payable	<u>\$ 336,026,705</u>	<u>\$ 91,394,958</u>

**NOTE 4 - BONDS AND NOTES PAYABLE (CONTINUED)**

The faith, credit and taxing power of the City of Indianapolis or any political subdivision thereof are not pledged to the payment of principal and interest on these obligations. However, certain series of Bond Bank bonds were fully insured at December 31, 2007 and 2006, by private insurance policies.

The Tax Anticipation Warrant Notes are separately secured and payable solely from a trust estate attributable to that series of notes. The trust estate includes investments pledged under respective note indentures such as the secured investment agreements (refer to Note 2). The note indentures also require maintenance of various accounts and provide for the trustee to invest funds according to guidelines established by the note indentures.

Scheduled principal payments due on bonds and notes payable outstanding at December 31, 2007, are summarized as follows:

Payable In	Principal	Interest	Debt Service
2008	\$ 477,821,499	\$ 156,619,247	\$ 634,440,745
2009	384,442,737	153,029,876	537,472,613
2010	114,853,191	135,871,207	250,722,398
2011	120,266,302	132,916,201	253,182,503
2012	127,326,914	126,566,540	253,893,454
2013-2017	631,660,387	534,641,948	1,166,302,335
2018-2022	610,531,543	389,587,555	1,000,119,098
2023-2027	638,152,750	269,106,133	907,258,883
2028-2032	483,580,000	163,942,796	647,522,796
2033-2037	490,515,000	58,968,351	549,483,351
2038-2041	<u>19,760,000</u>	<u>612,066</u>	<u>20,372,066</u>
	4,098,910,323	2,121,861,919	6,220,770,242
Less: Unamortized discount on bonds	<u>(98,899,706)</u>	<u></u>	<u>(98,899,706)</u>
	<u>\$4,000,010,617</u>	<u>\$2,101,569,892</u>	<u>\$6,121,870,536</u>

**NOTE 5 - DEBT ARRANGEMENTS AND DEFEASED DEBT**

In 2007, the Bond Bank issued its Series 2007 B Bonds in the amount of \$70,410,000. A portion of the proceeds were used to refund \$76,235,000 of the City of Indianapolis, Waterworks Revenue Bonds, Series 2002 A and the Bond Bank's corresponding bonds. The present value of the expected savings is calculated to be approximately \$5,000,780.

In 2007, the Bond Bank issued its Series 2007 E Bonds in the amount of \$9,910,000. A portion of the proceeds were used to refund \$8,935,000 of the City of Indianapolis, Redevelopment District Tax Increment Revenue Bonds, Series 2000 A and the Bond Bank's corresponding bonds, Series 2000 D. The present value of the expected savings is calculated to be approximately \$2,700,000.

In 2007, the Bond Bank issued its Series 2007 I Bonds in the amount of \$7,365,000. A portion of the proceeds were used to refund \$6,785,000 of the City of Indianapolis, Sanitary District Revenue Bonds, Series 2000 B and the Bond Bank's corresponding bonds, Series 2000 C. The present value of the expected savings is calculated to be approximately \$242,065.

In 2007, the Bond Bank issued its Series 2007 D Bonds in the amount of \$69,065,000. A portion of the proceeds were used to refund \$66,350,000 of the City of Indianapolis Bonds, Series 1993 A and the Bond Bank's corresponding bonds, Series 1998 A. The present value of the expected savings is calculated to be approximately \$3,360,970.

## NOTE 5 - DEBT ARRANGEMENTS AND DEFEASED DEBT (CONTINUED)

The outstanding balance of defeased debt which is not included in the financial statements amounted to \$664,559,252 as of December 31, 2007.

**Objective of the Swaps:** In order to protect against the potential of rising interest rates, the Bond Bank entered six separate pay-fixed, receive-variable interest rate swaps at a cost less than what the Bond Bank would have paid to issue fixed-rate debt.

**Terms, Fair Values, and Credit Risk:** The terms, including, the fair values and credit ratings of the outstanding swaps as of December 31, 2007, are as follows. The notional amounts of the swaps match the principal amounts of the associated debt. The Bond Bank's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bonds and notes payable" category.

Associated Bond /Note Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating S&P/ Moody's / Fitch
2002 F Bond - Mall (a) (b)	\$ 128,685,000	2/1/2003	6.191%	74% of LIBOR	\$ (27,046,358)	2/1/2020	AA/Aaa/AA-
2004 C Note - Consolidated TIF	14,600,000	4/23/2003	4.270%	LIBOR Plus 110 Basis Points	(131,521)	2/1/2013	A/A1/A
2005 B - Indianapolis Airport Authority	50,000,000	7/1/2008	3.786%		(863,339)	1/1/2033	A+/A1/A+
2005 G - Waterworks (b)	279,120,000	11/17/2005	3.510%	67% of LIBOR	(9,529,770)	1/1/2035	AA/Aaa/AA-
2005 G - Waterworks	108,980,000		3.510%	67% of LIBOR	(3,720,698)	1/1/2035	AA/Aa1/AA-
2005 H - Waterworks (b)	<u>47,810,000</u>	12/7/2005	3.527%	67% of LIBOR	<u>(1,822,336)</u>	1/1/2037	AA/Aaa/AA-
Total	<u>\$ 629,195,000</u>				<u>\$ (43,114,022)</u>		

**Fair Value:** Because interest rates declined, all swaps had a negative fair value as of December 31, 2007. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the Bond Bank's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values were 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 each future net settlement on the swaps.

**Credit Risk:** As of December 31, 2007, the Bond Bank was not exposed to credit risk because the swaps had negative fair values. However, should interest rates change and the fair values of the swaps become positive, the Bond Bank would be exposed to credit risk in the amount of the derivatives' fair value.

Although the Bond Bank executes swap transactions with various counterparties, three swaps, approximating 72% of the notional amount of swaps outstanding, are held by one counterparty. That counterparty is rated AA/Aaa/AA-. The remaining three swaps are held by three different counterparties.

**Basis Risk:** The Bond Bank is exposed to basis risk on the swaps when the variable payment received is based on an index other than SIFMA. As of December 31, 2007, the SIFMA rate was 3.47%, whereas 67% of LIBOR was 3.1 % and 74% of LIBOR was 3.43%.

## NOTE 5 - DEBT ARRANGEMENTS AND DEFEASED DEBT (CONTINUED)

**Termination Risk:** The Bond Bank or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of the termination the swap has a negative fair value, the Bond Bank would be liable to the counterparty for a payment equal to the swap's fair value.

**Swap Payments and Associated Debt:** As of December 31, 2007, debt service requirements of the Bond Bank's outstanding variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate Swaps, Net</u>	<u>Total</u>
2008	\$ 129,480,000	\$ 19,781,280	\$ 5,133,390	\$ 154,394,670
2009	1,630,000	15,324,507	1,576,975	18,531,482
2010	4,640,000	15,165,819	1,576,730	21,382,549
2011	5,350,000	14,982,849	1,576,484	21,909,333
2012	5,670,000	14,788,935	1,576,402	22,035,337
2013-2017	13,290,000	72,315,558	8,727,620	94,333,178
2018-2022	10,650,000	70,604,874	8,933,129	90,188,003
2023-2027	77,230,000	64,447,506	8,660,151	150,337,657
2028-2032	170,615,000	41,154,057	8,277,272	220,046,329
2033-2037	<u>160,640,000</u>	<u>8,872,677</u>	<u>5,127,622</u>	<u>174,640,299</u>
Total	<u>\$ 579,195,000</u>	<u>\$ 337,438,062</u>	<u>\$ 51,165,775</u>	<u>\$ 967,798,837</u>

- (a) The fixed rate entered into by the Bond Bank pursuant to the swap agreement was an off market rate providing the Bond Bank \$17.6 million in an upfront payment. The upfront cash payment is restricted for debt service on the Series 1992 Bonds and the 1999 Bonds, for payment of principal and interest on the \$35 million note commonly referred to as the "Key Bank Loan" and capital projects adjacent to or benefiting the TIF district. The cash is recorded as restricted on the statement of net assets.

In the event interest cost applicable to the Series 2002 F Bonds exceed the payments to be received under the swap agreements, the additional interest costs would be paid from Tax Incremental Revenues.

- (b) Bear Sterns Financial Products was a counterparty to these agreements at December 31, 2007; however, JP Morgan became the successor counterparty subsequent to year-end.

## NOTE 6 - EMPLOYEE BENEFITS

The Bond Bank contributes to the Public Employees' Retirement Fund (PERF) of the State of Indiana, a 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 may participate in this plan.

The Bond Bank's contributions to the Plan were \$60,284 in 2007 and \$54,391 in 2006. Separate information concerning the accumulated benefit obligations and actuarially determined benefit obligation is not material to the financial position of the Bond Bank and, accordingly, is not presented.

## **NOTE 7 - CONCENTRATION OF CREDIT RISK**

The Bond Bank has loans to qualified entities, all of whom are located in Marion County, Indiana.

## **NOTE 8 - SUBSEQUENT EVENTS**

In March 2008, the Bond Bank issued Series 2008 A-B Tax Anticipation Warrants in the amount of \$71,625,000. The notes were issued to meet the financing needs of the tax anticipation warrant program, and bear interest at 2.25%, and mature on October 1, 2008.

In March 2008, the Bond Bank issued Series 2008 A Bonds in the amount of \$59,450,000 to purchase the City of Indianapolis, Hotel and Convention Center Bonds, Series 2008 A, the proceeds of which will be used to fund construction of the JW Marriott hotel project. The bonds bear interest at 4.71%, and mature August 1, 2018.

In May 2008, the Bond Bank issued Series 2007 B Bonds in the amount of \$350,000,000 to purchase the City of Indianapolis, Indianapolis Airport Authority Bonds, the proceeds of which will be used for the City's new Midfield Terminal. The bonds bear interest at 5.18%, and mature on January 1, 2037.

In 2008, the credit ratings for the insurers of the outstanding variable rate debt were downgraded. As a result, the Bond Bank and the qualified entities could be subject to increased interest and fees. Further downgrading of the insurers could require the Bond Bank to find a substitute insurer on the variable rate bonds or result in the liquidity facility being terminated.