INDIANA FINANCE AUTHORITY
ANNUAL FINANCIAL STATEMENTS
June 30, 2015

INDIANA FINANCE AUTHORITY
(A Component Unit of the State of Indiana)
FINANCIAL STATEMENTS
June 30, 2015

CONTENTS

INDEPENDENT AUDITORS' REPORT **1**

PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) **3**

PART 2 - BASIC FINANCIAL STATEMENTS **17**

A. GOVERNMENT WIDE FINANCIAL STATEMENTS:
Statement of Net Position 18
Statement of Activities 20

B. FUND FINANCIAL STATEMENTS:

GOVERNMENTAL FUNDS:
1. Balance Sheet – Governmental Funds 21
2. Reconciliation of Balance Sheet - Governmental Funds to the Government Wide Statement of Net Position 22
3. Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 23
4. Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Government Wide Statement of Activities 24

PROPRIETARY FUNDS:
1. Statement of Net Position – Proprietary Funds 25
2. Reconciliation of Statement of Net Position - Proprietary Funds to the Government Wide Statement of Net Position 26
3. Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds 27
4. Reconciliation of Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds to the Government Wide Statement of Activities 28
5. Statement of Cash Flows – Proprietary Funds 29

C. NOTES TO FINANCIAL STATEMENTS 30

PART 3 - REQUIRED SUPPLEMENTARY INFORMATION **86**

Schedule of Actual Operating Revenues and Expenses Compared to Budget – Cash Basis (Unaudited) 87
Indiana Toll Road Infrastructure Condition Rating (Unaudited) 89
Schedule of IFA's Proportionate Share of the Net Pension Liability (Unaudited) 90
Schedule of IFA Contributions (Unaudited) 91

PART 4 – OTHER SUPPLEMENTARY INFORMATION **92**

Segment Reporting - Statement of Net Position 93
Segment Reporting - Statement of Revenues, Expenses and Changes in Net Position 94
Segment Reporting - Statement of Cash Flows 95

Independent Auditors' Report

Members of the Indiana Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indiana Finance Authority (IFA), a component unit of the State of Indiana, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise IFA's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IFA as of June 30, 2015, and the respective changes in net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States.

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An Affiliate of
KSM Business Services, Inc.

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 16, budgetary comparison information on pages 87 through 88, Indiana Toll Road infrastructure condition rating information on page 89, and retirement plan schedules on pages 90 through 91 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise IFA's basic financial statements. The supplementary schedules of segment reporting – statements of net position, revenues, expenses and changes in net position, and cash flows on pages 92 through 95 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 21, 2015, on our consideration of IFA'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 IFA's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 21, 2015

PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Indiana Finance Authority ("IFA") financial report provides management's discussion and analysis of the financial performance during the year ended June 30, 2015. Please read it in conjunction with the Independent Auditors' Report at the beginning of this report and the financial statements, which follow this section.

This MD&A is an opportunity for management to make information concerning IFA meaningful and understandable to IFA's constituents, including Indiana's citizens and their representatives and the investors who buy and sell IFA's bonds. In addition to describing IFA and its work, this MD&A briefly analyzes, discusses or presents:

- Basic financial statements
- Condensed financial information
- Overall financial position and results of operations
- Significant transactions within individual funds
- Significant capital assets and long-term debt activity
- Currently known facts

Background: Established on May 15, 2005, IFA, a component unit of the State of Indiana, combined five formerly independent bodies under one entity. The entities combined included the Indiana Development Finance Authority, State Office Building Commission, Indiana Transportation Finance Authority, Recreational Development Commission and the State Revolving Fund Programs. Effective July 1, 2005, all records, money, and other property held by the Auditor of the State with respect to the Supplemental Drinking Water and Wastewater Assistance Program transferred to IFA as the successor entity. On July 1, 2007, the duties and responsibilities of the Indiana Health and Education Facility Finance Authority were transferred to IFA, and the responsibilities of the following programs were transferred from IFA to the Indiana Economic Development Corporation: Guaranty Fund, Capital Access Program Fund, Business Development Loan Fund and Rural & Agriculture Development Fund.

IFA is a body both corporate and politic, and though separate from the State of Indiana (the "State"); the exercise by IFA of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created IFA and authorized it to issue revenue bonds and other obligations to finance projects for lease to the State. These leases do not constitute State debt. Except as described elsewhere in this MD&A, lease rentals are payable solely from appropriations made by the General Assembly.

IFA finances and refinances state hospitals, state office buildings, state garages, correctional facilities, recreational facilities, highways, bridges, airport facilities, and other related facilities for the benefit of the State. IFA also provides low interest loans to Indiana communities for environmental improvements. It also promotes business and employment opportunities by

(Continued)

issuing tax-exempt financing for industrial development projects, rural development projects, health care facilities, and educational facility projects.

IFA's lease revenue bonds and notes are special and limited obligations of IFA, payable from lease rental revenue, bond or note proceeds and investment income. IFA's revenue bonds are not general obligations of IFA nor are they State debt within the meaning of any constitutional provision or limitation. IFA cannot compel the General Assembly to make appropriations to pay lease rentals.

Financial Highlights: Management believes an important indicator of IFA's financial health is whether or not IFA receives sufficient lease rental revenue to pay debt service on IFA's lease revenue bonds and meet its other obligations when due. In fiscal year 2015 and prior fiscal years since IFA and its predecessor entities were established, IFA received sufficient revenue to pay its debts and meet its other obligations.

To note some major accomplishments in fiscal year 2015, IFA:

- issued $296.5 million of Stadium bonds and $44.7 million of Convention Center bonds
- loaned $178.5 million to Indiana communities to fund drinking water and waste water infrastructure projects
- refinanced $149.5 million of State Revolving Fund bonds
- issued $100 million of State Revolving Fund bonds to fund drinking water and waste water infrastructure projects
- cash defeased $84.3 million of State Revolving Fund bonds

IFA's revenue and net position may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new lease revenue bond and note issues, and construction activities.

Although IFA reports through a number of enterprise funds, IFA is not a profit making enterprise. IFA exists to benefit the State through its ability to finance and refinance important State infrastructure needs, and not to grow revenue and net position over time.

BASIC FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by the Governmental Accounting Standards Board ("GASB") that present different financial views of IFA:

A. The first two statements are <u>government wide financial statements</u> that provide both long-term and short-term information about IFA's overall financial status.

(Continued)

B. The remaining statements are fund financial statements that focus on individual parts of IFA, reporting IFA's operations in more detail than the government wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements report information about IFA as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of IFA's assets, deferred outflows and inflows of resources, and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Net position, the difference between IFA's assets, deferred outflows and inflows, and liabilities, is one way to measure IFA's financial position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of IFA is improving or deteriorating. The government wide financial statements of IFA are divided into two categories:

1. **Governmental Activities** generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. These activities are reported in governmental funds or internal service funds. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Transportation Finance General, Stadium and Convention Center Financing, Public Private Partnerships, and State Office Building Commission.

   Governmental Activities reported under governmental funds include the Operating Account ("General Funds"), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, and Brownfields Cleanup Revolving Fund.

2. **Business-Type Activities** are financed in whole or in part by fees charged to external parties for goods or services. These activities are reported in proprietary funds or internal service funds. Business-Type Activities include the State Revolving Fund, Supplemental Fund, Conduit Debt Program Fund, Indiana Toll Road Lease Fund, Airport Facilities Fund, Aviation Technology Center Fund, Indiana Toll Road Project Fund, State Fair Fund, and the Recreational Development Commission.

To determine the appropriate reporting, IFA has considered the following characteristics:

- The relationship between services received and resources provided by the consumer:
  - Governmental – Resources typically not derived from specific services.
  - Business-Type – Direct relationship between the charge and the service provided.

(Continued)

- Revenue-producing capital assets:
  - Governmental – Capital assets do not have a direct relationship to revenue raising capability.
  - Business-Type – Capital assets are typically revenue producing.

- Similarly designated activities and potential for comparison:
  - Governmental – Government may perform multiple or unique functions and are difficult to compare to other governments.
  - Business-Type – Government typically performs a single function that allows for comparability with other governments.

- Nature of funding and budgets:
  - Governmental – Typically part of overall legally adopted governmental budget process.
  - Business-Type – May involve rate setting and appropriations.

- Users and uses of financial reports:
  - Governmental – Emphasis is on financial condition and results of operations of multipurpose functions and broader group of users including citizens, legislative and oversight bodies, and investors/creditors.
  - Business-Type – Emphasis is on financial condition and results of operations of a single activity, related compliance and reasonableness of user charges.

B. Fund Financial Statements provide detailed information about IFA's significant funds, not IFA as a whole. IFA uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. IFA has two kinds of funds:

1. **Governmental Funds** report activities for IFA and other State Agencies that support the overall State's basic services. IFA uses the following governmental funds:

   Operating Account reports on the administrative functions of IFA, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

   Environmental Remediation Revolving Loan Fund & Petroleum Remediation Grant Fund is a special revenue fund, which provides financing for environmental clean up to local Indiana communities.

   Brownfields Cleanup Revolving Fund is a special revenue fund created by statute that provides financial, technical, legal, and educational assistance to eligible entities involved in Brownfield redevelopment.

(Continued)

2. **Proprietary Funds** report activities for which IFA charges lease amounts or user fees to similar customers. Under the proprietary funds, there are two types of sub-funds: 1) enterprise funds track business-type activities, while 2) internal service funds report activities providing general support for IFA's programs.

   a. **Enterprise Funds**

   State Revolving Fund reports on low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure.

   Supplemental Fund reports on low interest loans and grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

   Conduit Debt Programs Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

   Indiana Toll Road Lease Fund includes IFA's lease to the Indiana Toll Road Concession Company, LLC ("ITRCC"). The ITRCC is responsible for the operation and maintenance of the Indiana Toll Road.

   Airport Facilities Fund reports on the direct financing activities for airport or aviation related property of facilities referred to by IFA as the Indianapolis Maintenance Center ("IMC").

   Aviation Technology Center Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by IFA as the Aviation Technology Center.

   b. **Internal Service Funds**

   Indiana Toll Road Project was leased by IFA to INDOT prior to the lease with the ITRCC. INDOT was responsible for the operation and financing the Indiana Toll Road Project until June 29, 2006.

   Public Private Partnerships is an internal service fund that reports on the construction of the public private partnership projects. A private party manages the construction and operations. INDOT oversees these projects.

   Highway Revenue Bonds is an internal service fund that provides financing for the construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

(Continued)

Stadium and Convention Center Financing is an internal service fund providing financing for the new Stadium and Convention Center expansion in Indianapolis. The Indiana Stadium and Convention Building Authority managed construction of the expansion.

State Fair Fund is an internal service fund providing financing for the State Fair Coliseum renovation and a new arena in Indianapolis. The Indiana State Fair Commission managed construction of the renovation and expansion.

State Office Building Commission reports on the financing activities for State office buildings, garages, hospitals and correctional facilities. These facilities are owned by IFA but operated and maintained by the Indiana Department of Administration.

Recreational Development Commission reports on the financing activities of recreational facilities constructed in State parks. The Indiana Department of Natural Resources is responsible for the operation and maintenance of these facilities.

Transportation Finance General reports on the administrative functions of the Transportation Finance Authority, which includes salary, benefits and other expenses that support the related financings and refinancing activities.

(Continued)

CONDENSED FINANCIAL INFORMATION; OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS AND SIGNIFICANT TRANSACTIONS WITHIN INDIVIDUAL FUNDS

This section provides an overview of the overall financial position, results of operations and significant transactions within individual funds.

Net Position: The following is condensed from the Statement of Net Position:

Indiana Finance Authority
Condensed Statement of Net Position (in millions of dollars)
June 30, 2015

	Governmental Activities	Business-Type Activities	Total Activities
Assets			
Cash and investments	$ 504	$ 869	$ 1,373
Accounts, loans, and lease receivable	1,005	2,050	3,055
Investment in direct financing leases	1,054	136	1,190
Capital assets, net	362	608	970
Other assets	-	4	4
Total assets	$ 2,925	$ 3,667	$ 6,592
Deferred Outflows of Resources			
Deferred swap termination	$ 82	$ -	$ 82
Loss on debt refunding	23	36	59
Accumulated decrease in fair value of hedging derivatives	100	-	100
Total deferred outflows of resources	$ 205	$ 36	$ 241
Liabilities			
Accounts payable and other liabilities	$ 4	$ 4	$ 8
Interest payable	18	29	47
Unearned revenue	10	31	41
Derivative instrument	100	-	100
Due to primary government	100	-	100
Due to federal government	-	2	2
Net pension liability	1	-	1
Bonds and notes payable and other long-term obligations	2,355	1,689	4,044
Total liabilities	$ 2,588	$ 1,755	$ 4,343
Deferred Inflows of Resources			
Advanced payment for service concession agreement	$ -	$ 3,260	$ 3,260
Unearned service concession arrangement receipts	-	291	291
Total deferred inflows of resources	$ -	$ 3,551	$ 3,551
Net Position			
Net investment in capital assets	$ 72	$ -	$ 72
Restricted	337	1,313	1,650
Unrestricted	133	(2,916)	(2,783)
Total net position	$ 542	$ (1,603)	$ (1,061)

(Continued)

The total net position at June 30 was as follows (in millions of dollars):

	2015	2014
Assets and Deferred Outflows of Resources	$ 6,833	$ 6,877
Liabilities and Deferred Inflows of Resources	(7,894)	(8,228)
Net position	$ (1,061)	$ (1,351)

IFA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during fiscal year 2015. This statement required IFA to recognize a liability for its share of the net position liability as calculated by the Indiana Public Retirement System (INPRS). Deferred outflows and inflows of resources resulted from implementing this statement as we are restating the beginning net position for fiscal year 2015.

The following is a reconciliation of the beginning net position:

Net position at June 30, 2014, as previously reported	$ (1,350,557,637)
Decrease in net position due to adoption of GASB No. 68	(910,629)
Net position at June 30, 2014, as restated	$ (1,351,468,266)

The net position was ($1.1) billion at June 30, 2015, which represents a $290 million, or 21.5% increase from the prior year's net position. Total assets and deferred outflows of resources decreased by $44 million, while total liabilities and deferred inflows decreased by $334 million.

Assets and deferred outflows were lower due to the $32 million decrease of the accounts, loans, and lease receivables, the $71 million decrease in direct financing leases, the derivative investment liability decreasing $62 million, and loss on debt refunding decreasing $7 million. These decreases were partially offset by the deferred swap termination of $82 million, the cash and investment increase of $27 million, and the net capital assets increased by $19 million.

Liabilities and deferred inflows decreased due to a $116 million reclass of unearned revenue, $109 million reduction of debt from regularly scheduled principal payments and defeasance, the $62 million decrease in the derivative investment, $50 million in recognition of Indiana Toll Road revenue, and $3 million less in interest payable. Effective June 29, 2006, IFA leased the Indiana Toll Road for a one-time payment of $3.8 billion to the ITRCC for 75 years. As required under the legislation passed by the Indiana General Assembly, IFA transferred $3.6 billion of the lease payment to the State in July 2006 to fund the Major Moves initiative to improve both State and local transportation infrastructure. IFA recognizes lease revenue over the life of the lease on a straight-line basis.

(Continued)

Change in Net Position: The following is condensed from the Statement of Activities:

Indiana Finance Authority
Statement of Activities (in millions of dollars)
Year Ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Lease rental	$ 351	$ 66	$ 417
Investment earnings	-	7	7
Interest on loans	-	56	56
State appropriation and grants	5	-	5
Other	9	6	15
Total revenues	365	135	500
Expenses			
IFA operations and other	27	13	40
Interest expense	138	73	211
Distribution to primary government	-	7	7
Total expenses	165	93	258
Capital Contributions	1	48	49
Change in net position	201	90	291
Net position, beginning of year-Restated	341	(1,693)	(1,352)
Net position , end of year	$ 542	$ (1,603)	$ (1,061)

The change in net position for the fiscal year ended June 30 was as follows (in millions of dollars):

	2015	2014
Revenues and Capital Contributions	$ 549	$ 441
Expenses	(258)	(400)
Change in net position	$ 291	$ 41

The increase in net position was $291 million for the fiscal year ended June 30, 2015, as compared to an increase of net position of $41 million for the prior year. Revenue and capital contributions increased by $108 million, which represents a 24% change from the prior year. Expenses decreased by $142 million, which represents a 36% change from the prior year. Revenue and capital contributions increased due to lease rentals for public private partnerships totaling $179 million versus $0 in the prior year. Expenses were lower due to the transferring of the properties to the State of Indiana in the prior year.

(Continued)

SIGNIFICANT CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY

Investment in Direct Financing Leases and Analysis of Recognition of Infrastructure Assets: IFA's investment in direct financing leases is presented on the Statement of Net Position at $1.2 billion. The primary infrastructure assets related to IFA are within the Highway Revenue Bonds and the Indiana Toll Road Lease Fund.

> **Highway Revenue Bonds** - The nature of the direct financing lease activity between IFA and INDOT means that IFA does not own infrastructure assets related to the Highway Revenue Bonds. Instead, IFA has an interest in direct financing lease assets on the Statement of Net Position for $1 billion. For such leases, IFA is the lessor and INDOT is the lessee. INDOT is responsible for reporting information regarding the assessment condition and condition level of the road system funded through Highway Revenue Bonds.

> **Indiana Toll Road Lease** – Historically, the infrastructure assets related to the Indiana Toll Road were reported separate from IFA's reporting entity. IFA reported an equity interest in the overall assets held by the Indiana Toll Road Project. During fiscal year 2006, IFA concluded its lease with INDOT, and leased the Indiana Toll Road to the ITRCC for 75 years. With the inception of the new lease, IFA liquidated its equity interest in the Indiana Toll Road Project. IFA's investment in infrastructure assets, land and land improvements, is $580 million.

Capital Assets: Property and equipment used for IFA operations are land, bridges, buildings and equipment related to the following: the prior State Office Building Commission, the prior Recreational Development Commission, the Indiana Toll Road Lease Fund, and the Public Private Partnerships. The State Office Building Commission assets have a cost basis of $528 million and accumulated depreciation of $190 million. The total decrease in the State Office Building Commission's net capital assets is $5 million. Capital assets related to the Recreational Development Commission have a cost basis of $53 million and accumulated depreciation of $25 million. Indiana Toll Road Lease Fund assets have a cost basis of $621 million and accumulated depreciation of $41 million. Public Private Partnerships' assets have a cost basis of $25 million and $0 accumulated depreciation.

(Continued)

Indiana Finance Authority
Capital and Infrastructure Assets (in millions of dollars)
June 30, 2015

	Governmental Activities	Business-Type Activities	Total Activities
Capital Assets			
Property, plant and equipment, net:			
State Office Building Commission	$ 337	$ -	$ 337
Recreational Development Commission	-	28	28
Public Private Partnerships	25	-	25
Indiana Toll Road Lease Fund	-	580	580
Total	$ 362	$ 608	$ 970
Investment in direct financing leases:			
State Office Building Commission	$ 33	$ -	$ 33
Aviation Technology Center Fund	-	2	2
Airport Facilities Fund	-	70	70
State Fair	-	64	64
Highway Revenue Bonds	1,021	-	1,021
Total	$ 1,054	$ 136	$ 1,190

Additional information on IFA's capital assets can be found in Note 5 to the financial statements on page 60 and 61 of this report.

(Continued)

Debt Activity: Outstanding debt balances are presented as follows for governmental and business-type activities:

Governmental Activities:

Debt	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Highway Revenue bonds	$ 1,070,081,571	$ 3,727,138	$ 52,930,000	$ 1,020,878,709
State Office Building Commission	301,187,019	-	30,346,458	270,840,561
Stadium Project Bonds	976,310,610	388,926,350	301,520,000	1,063,716,960
	$ 2,347,579,200	$ 392,653,488	$ 384,796,458	$ 2,355,436,230

Business-Type Activities:

Debt	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Airport Facilities	$ 86,920,000	$ -	$ 16,640,000	$ 70,280,000
Aviation Technology Center	3,260,000	-	780,000	2,480,000
State Revolving Program Fund	1,618,472,475	263,321,572	357,880,000	1,523,914,047
Recreational Development Commission	27,461,403	-	2,870,334	24,591,069
State Fair	67,483,772	-	1,236,477	66,247,295
	$ 1,803,597,650	$ 263,321,572	$ 379,406,811	$ 1,687,512,411

Lease Activity: Outstanding lease balances are presented as follows for governmental and business-type activities:

Governmental Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
State Office Building Commision	$ 38,502,880	$ 732,465	$ 6,036,845	$ 33,198,500
Highway Revenue Bonds	1,070,081,571	3,727,138	52,930,000	1,020,878,709
	$ 1,108,584,451	$ 4,459,603	$ 58,966,845	$ 1,054,077,209

Business-Type Activities:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Airport Facilities	$ 86,920,000	$ -	$ 16,640,000	$ 70,280,000
Aviation Technology Center	3,260,000	-	780,000	2,480,000
State Fair Fund	62,647,935	1,002,271	-	63,650,206
	$ 152,827,935	$ 1,002,271	$ 17,420,000	$ 136,410,206

(Continued)

CURRENTLY KNOWN FACTS

Business-Type Activities

On July 24, 2015, IFA issued $92.8 million Lease Appropriation Bonds (Motorsports Improvement Project), Series 2015C (federally taxable) to fund improvements at the Indianapolis Motor Speedway.

DISCLOSURE

These annual financial statements are not a disclosure document, an offering memorandum, an official statement or prospectus for any revenue bond issued by IFA, and no investor should rely on it as such. The information contained in the annual financial statements is limited information. Information and any expression of opinion (other than the report of the independent auditors) contained in the annual financial statements are subject to change. Such information and any opinion speak only as of their date.

REQUESTS OF INFORMATION

This financial report is designed to provide a general overview of IFA's finances for all those interested in IFA's finances. Questions concerning any of the information should be addressed to IFA at One North Capitol, Suite 900, Indianapolis, IN 46204.

PART 2 – BASIC FINANCIAL STATEMENTS

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
ASSETS			
Current assets:			
Cash	$ 27,281,778	$ 541,314	$ 27,823,092
Investments	476,098,972	684,737,479	1,160,836,451
Interest receivable on investments and loans	20,409	22,951,527	22,971,936
Prepaid lease	-	185,272	185,272
Lease income receivable	12,046,375	1,882,892	13,929,267
Grants and accounts receivable	3,970,458	46,787,534	50,757,992
Loans receivable, net	10,351,045	142,687,721	153,038,766
Interfund receivable	735,385	414,253	1,149,638
Investment in direct financing leases	61,360,934	17,810,000	79,170,934
Total current assets	591,865,356	917,997,992	1,509,863,348
Noncurrent assets:			
Investments	753,631	183,709,984	184,463,615
Investment in direct financing leases	992,716,275	118,600,206	1,111,316,481
Prepaid lease	-	4,075,979	4,075,979
Loans receivable, net	977,929,765	1,834,804,118	2,812,733,883
Capital assets, net	362,346,751	608,011,569	970,358,320
Total noncurrent assets	2,333,746,422	2,749,201,856	5,082,948,278
Total Assets	$ 2,925,611,778	$ 3,667,199,848	$ 6,592,811,626
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources related to pension	$ 384,658	$ -	$ 384,658
Deferred swap termination	81,766,783	-	81,766,783
Loss on debt refunding	22,956,850	35,819,379	58,776,229
Accumulated decrease in fair value of hedging derivatives	99,544,904	-	99,544,904
Total deferred outflows of resources	$ 204,653,195	$ 35,819,379	$ 240,472,574

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	$ 2,997,845	$ 3,300,557	$ 6,298,402
Interfund payable	933,150	216,488	1,149,638
Interest payable	18,261,694	29,091,992	47,353,686
Amount due to primary government	99,658,156	-	99,658,156
Unearned revenue	10,000,000	26,705,625	36,705,625
Revenue bonds payable	84,020,000	110,275,000	194,295,000
Note payable	6,673,199	-	6,673,199
Construction retention	153,792	35,724	189,516
Pollution remediation	-	592,284	592,284
Total current liabilities	222,697,836	170,217,670	392,915,506
Noncurrent liabilities:			
Derivative instrument liability	99,544,904	-	99,544,904
Note payable	28,705,678	-	28,705,678
Revenue bonds payable	2,236,037,353	1,577,237,411	3,813,274,764
Pollution remediation	-	1,157,226	1,157,226
Amount due to federal government	-	2,102,210	2,102,210
Net pension liabiilty	994,673	-	994,673
Unearned revenue	-	4,117,570	4,117,570
Total noncurrent liabilities	2,365,282,608	1,584,614,417	3,949,897,025
Total Liabilities	$ 2,587,980,444	$ 1,754,832,087	$ 4,342,812,531
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources related to pension	$ 197,771	$ -	$ 197,771
Advanced payment for service concession agreement	-	3,260,105,646	3,260,105,646
Deferred service concession arrangement receipts	-	291,018,824	291,018,824
Total deferred inflows of resources	$ 197,771	$ 3,551,124,470	$ 3,551,322,241
NET POSITION			
Net investment in capital assets	$ 72,248,700	$ -	$ 72,248,700
Restricted for:			
Debt service	336,667,363	11,511,655	348,179,018
Water pollution and drinking water projects	-	1,301,995,124	1,301,995,124
Unrestricted	133,170,695	(2,916,444,109)	(2,783,273,414)
Total Net Position	$ 542,086,758	$ (1,602,937,330)	$ (1,060,850,572)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
GOVERNMENT WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Positon		
				Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating and Capital Grants**	**Governmental Activities**	**Business-Type Activities**	**Total**
Primary Government						
Governmental Activities:						
General Government	$ 3,761,792	$ 4,082,223	$ -	$ 320,431	$ -	$ 320,431
Conduit Debt Program	424,414	225,095	-	(199,319)	-	(199,319)
Environmental	2,950,226	3,000,705	749,469	799,948	-	799,948
Transportation Finance	54,694,189	56,598,548	-	1,904,359	-	1,904,359
State Office Buildings Finance	28,519,696	47,091,066	10	18,571,380	-	18,571,380
Public Private Partnerships	-	179,000,000	-	179,000,000	-	179,000,000
Stadium and Convention Center Finance	74,693,385	70,593,387	4,099,998	-	-	-
Total Governmental Activities	165,043,702	360,591,024	4,849,477	200,396,799	-	200,396,799
Business-Type Activities:						
Drinking Water and Wastewater	78,902,938	57,377,103	47,607,436	-	26,081,601	26,081,601
Airport Facilities Finance	3,791,333	4,128,663	-	-	337,330	337,330
Toll Road Lease	6,452,380	61,507,805	-	-	55,055,425	55,055,425
Aviation Technology Center Finance	165,305	343,682	-	-	178,377	178,377
Health and Education	467,338	633,550	-	-	166,212	166,212
State Fair	261,622	989,589	-	-	727,967	727,967
Recreation Development Finance	3,546,133	4,298,154	-	-	752,021	752,021
Total Business-Type Activities	93,587,049	129,278,546	47,607,436	-	83,298,933	83,298,933
Total Primary Government	$ 258,630,751	$ 489,869,570	$ 52,456,913	$ 200,396,799	$ 83,298,933	$ 283,695,732
	General Revenues					
	Investment earnings, net			$ 131,788	$ 6,790,174	$ 6,921,962
	Other Financing Sources					
	Transfers			369,619	(369,619)	-
	Total General and Other Sources			501,407	6,420,555	6,921,962
	Change in net position			200,898,206	89,719,488	290,617,694
	Net Position - Beginning of year - Restated			341,188,552	(1,692,656,818)	(1,351,468,266)
	Net Position - End of year			$ 542,086,758	$ (1,602,937,330)	$ (1,060,850,572)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General	Other Governmental Funds	Totals
Assets			
Cash	$ 187,382	$ -	$ 187,382
Investments	1,772,390	20,725,827	22,498,217
Interest receivable on investments	11	699	710
Interest receivable on loans	-	7,824	7,824
Accounts receivable	2,215,280	4,800	2,220,080
Loans receivable, net	-	6,330,633	6,330,633
Interfund receivable	419,291	322,611	741,902
Capital assets, net of accumulated depreciation	6,302	5,040	11,342
Total Assets	$ 4,600,656	$ 27,397,434	$ 31,998,090
Liabilities and Fund Balances			
Liabilities			
Accounts payable and accrued expenses	$ 1,155,458	$ 152,162	$ 1,307,620
Interfund payable	350,000	410,862	760,862
Total Liabilities	1,505,458	563,024	2,068,482
Fund Balances			
Nonspendable			
Equipment	6,302	5,040	11,342
Restricted			
Environmental Automotive Sector	-	24,541	24,541
Committed			
Environmental Brownfield remediation	-	10,194,934	10,194,934
Assigned			
Environmental Brownfield remediation	-	15,204,298	15,204,298
Unassigned	3,088,896	1,405,597	4,494,493
Total Fund Balances	$ 3,095,198	$ 26,834,410	$ 29,929,608

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances – governmental funds	$ 29,929,608
Amounts reported for governmental activities in the statement of net position are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Public Private Partnerships and Stadium and Convention Center Financing Program are included in governmental activities in the statement of net position.	512,964,936
Effect of net pension liability and deferred inflow and outflows of resources related to pension liability	(807,786)
Net position of governmental activities	$ 542,086,758

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended June 30, 2015

	General	Other Governmental Funds	Totals
Revenues			
State appropriations	$ 3,622,608	$ 1,500,000	$ 5,122,608
Investment earnings, net	9,537	6,600	16,137
Interest on loans	-	81,234	81,234
Financing fees and premiums	462,174	225,095	687,269
Other funding	-	1,419,471	1,419,471
Total revenues	4,094,319	3,232,400	7,326,719
Expenditures			
General Government	3,864,635	-	3,864,635
Business Development	-	424,414	424,414
Environmental	-	2,950,226	2,950,226
Total expenditures	3,864,635	3,374,640	7,239,275
Excess of Expenditures over Revenues	229,684	(142,240)	87,444
Other Financing Sources			
Capital Contributions	-	749,469	749,469
Transfers in	6,580	-	6,580
Total other financing sources and uses	6,580	749,469	756,049
Net Change in Fund Balances	236,264	607,229	843,493
Fund Balances - Beginning	2,858,934	26,227,181	29,086,115
Fund Balances - Ending	$ 3,095,198	$ 26,834,410	$ 29,929,608

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Net change in fund balances – governmental funds	$ 843,493
Amounts reported for governmental activities in the statement of activities are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds, State Office Building Commission, Transportation Finance General, Public Private Partnerships and Stadium and Convention Center Financing Program are included in governmental activities in the statement of activities.	199,951,870
Effect of net pension liability and deferred inflow and outflows of related to net pension liability – Pension expense and amortization of deferrals	102,843
Change in net position of governmental activities	$ 200,898,206

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2015

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Assets					
Current assets:					
Cash	$ -	$ -	$ 541,314	$ 541,314	$ 27,094,396
Investments	578,543,568	69,337,468	27,618,378	675,499,414	463,592,451
Interest receivable on investments	647,382	2,781	961	651,124	12,257
Interest receivable on loans	22,208,144	-	91,877	22,300,021	-
Prepaid lease	-	-	-	-	185,272
Lease income receivable	-	1,882,892	-	1,882,892	12,046,375
Grants and accounts receivable	46,649,193	-	138,341	46,787,534	1,743,861
Loans receivable, net	141,354,595	-	1,333,126	142,687,721	9,838,490
Interfund receivable	-	-	414,253	414,253	-
Investment in direct financing leases	-	-	17,810,000	17,810,000	61,360,934
Total current assets	789,402,882	71,223,141	47,948,250	908,574,273	575,874,036
Noncurrent assets:					
Investments	183,709,984	-	-	183,709,984	-
Investment in direct financing leases	-	-	54,950,000	54,950,000	1,056,366,481
Prepaid lease	-	-	-	-	4,075,979
Loans receivable, net	1,822,878,173	-	11,925,945	1,834,804,118	972,111,687
Capital assets, net of accumulated depreciation	460,430	580,111,284	-	580,571,714	389,775,264
Total noncurrent assets	2,007,048,587	580,111,284	66,875,945	2,654,035,816	2,422,329,411
Total Assets	$ 2,796,451,469	$ 651,334,425	$ 114,824,195	$ 3,562,610,089	$ 2,998,203,447
Deferred Outflows of Resources					
Deferred swap termination	$ -	$ -	$ -	$ -	$ 81,766,783
Loss (gain) on debt refunding	35,149,971	-	(3,496)	35,146,475	23,629,754
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	99,544,904
Total deferred outflows of resources	$ 35,149,971	$ -	$ (3,496)	$ 35,146,475	$ 204,941,441
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	$ 263,145	$ 2,007,891	$ 183,038	$ 2,454,074	$ 2,536,708
Interfund payable	169,448	422	38,414	208,284	180,492
Interest payable	26,608,215	-	623,617	27,231,832	20,121,854
Amount due to primary government	-	-	-	-	99,658,156
Unearned revenue	-	26,705,625	-	26,705,625	10,000,000
Revenue bonds payable	89,100,000	-	17,810,000	106,910,000	87,385,000
Note payable	-	-	-	-	6,673,199
Construction retention	-	-	-	-	189,516
Pollution Remediation	-	592,284	-	592,284	-
Total current liabilities	116,140,808	29,306,222	18,655,069	164,102,099	226,744,925
Noncurrent liabilities:					
Derivative instrument liability	-	-	-	-	99,544,904
Note payable	-	-	-	-	28,705,678
Revenue bonds payable	1,434,814,047	-	54,950,000	1,489,764,047	2,323,510,717
Pollution remediation	-	1,157,226	-	1,157,226	-
Amount due to federal government	2,102,210	-	-	2,102,210	-
Unearned revenue	-	4,117,570	-	4,117,570	-
Total noncurrent liabilities	1,436,916,257	5,274,796	54,950,000	1,497,141,053	2,451,761,299
Total Liabilities	$ 1,553,057,065	$ 34,581,018	$ 73,605,069	$ 1,661,243,152	$ 2,678,506,224
Deferred Inflows of Resources					
Advanced payment for service concession agreement	$ -	$ 3,260,105,646	$ -	$ 3,260,105,646	$ -
Deferred service concession arrangement receipts	-	291,018,824	-	291,018,824	-
Total deferred inflows of resources	$ -	$ 3,551,124,470	$ -	$ 3,551,124,470	$ -
Net Position					
Net investment in capital assets	$ -	$ -	$ -	$ -	$ 72,248,700
Restricted for debt service	-	-	8,982,629	8,982,629	339,196,389
Restricted for water pollution and drinking water projects	1,278,544,373	-	23,450,751	1,301,995,124	-
Unrestricted	2	(2,934,371,063)	8,782,250	(2,925,588,811)	113,193,575
Total Net Position	$ 1,278,544,375	$ (2,934,371,063)	$ 41,215,630	$ (1,614,611,058)	$ 524,638,664

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF NET POSITION – PROPRIETARY FUNDS TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION
June 30, 2015

Total net position – enterprise funds	$(1,614,611,058)
Amounts reported for business-type activities in the statement of net position are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds for the Indiana Toll Road Project, State Fair Fund, and the Recreational Development Commission are included in business-type activities in the statement of net position.	11,673,728
Net position of business-type activities	$(1,602,937,330)

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
For the year ended June 30, 2015

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Operating Revenues					
Lease rental income	$ -	$ 57,161,753	$ 4,472,345	$ 61,634,098	$ 355,246,069
Interest on loans	56,210,767	-	248,306	56,459,073	-
Financing fees and premiums	772,171	-	633,550	1,405,721	3,023,187
Other funding	-	4,346,052	-	4,346,052	301,488
Total operating revenue	56,982,938	61,507,805	5,354,201	123,844,944	358,570,744
Operating Expenses					
Personal services	987,896	-	168,569	1,156,465	1,011,413
Nonpersonal services	50,354	2,291	312,195	364,840	1,576,777
Professional services	952,306	231,983	327,767	1,512,056	1,636,088
Supplies	1,941	70	1,257	3,268	7,565
Equipment and building fixtures	3,422	-	5,415	8,837	32,487
Travel	7,256	1,066	14,601	22,923	-
Interest expense	68,247,356	-	3,863,806	72,111,162	139,290,948
Depreciation and bond issuance costs	1,682,111	-	-	1,682,111	18,242,325
Grants	-	-	665,385	665,385	-
Reimbursement agreement loss	742,121	-	-	742,121	-
Other expense	2,037,210	(1,200,818)	69,433	905,825	-
Total operating expenses	74,711,973	(965,408)	5,428,428	79,174,993	161,797,603
Operating income (loss)	(17,729,035)	62,473,213	(74,227)	44,669,951	196,773,141
Nonoperating Revenues (Expenses)					
Investment earnings, net	6,570,897	120,713	97,832	6,789,442	113,825
Distribution to primary government	-	(7,417,788)	-	(7,417,788)	82,578
Total nonoperating revenues (expenses)	6,570,897	(7,297,075)	97,832	(628,346)	196,403
Income before Capital Contributions and Transfers	(11,158,138)	55,176,138	23,605	44,041,605	196,969,544
Capital Contributions	47,607,436	-	145,859	47,753,295	4,100,008
Forgivable Loan Expense	(3,186,513)	-	-	(3,186,513)	-
Transfers in (out)	-	(155,337)	(205,202)	(360,539)	353,958
Change in Net Position	33,262,785	55,020,801	(35,738)	88,247,848	201,423,510
Net Position - Beginning of year- Restated	1,245,281,590	(2,989,391,864)	41,251,368	(1,702,858,906)	323,215,154
Net Position - End of year	$ 1,278,544,375	$ (2,934,371,063)	$ 41,215,630	$ (1,614,611,058)	$ 524,638,664

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
TO THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the year ended June 30, 2015

Net change in net position – enterprise funds	$ 88,247,848
Amounts reported for business-type activities in the statement of activities are different because:	
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for the Indiana Toll Road Project, State Fair Fund, and the Recreational Development Commission are included in business-type activities in the statement of activities.	1,471,640
Change in net position of business-type activities	$ 89,719,488

See accompanying notes to financial statements.

INDIANA FINANCE AUTHORITY
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2015

	Enterprise Funds				
	State Revolving Fund	Toll Road Lease Fund	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows from Operating Activities					
Lease, rent and toll receipts	$ -	$ 7,766,213	$ 4,472,345	$ 12,238,558	$ 353,626,724
Other operating income	30,050	2,487	293,994	326,531	3,324,675
Payments for general and administrative expenses	(1,955,330)	(9,480,468)	(845,009)	(12,280,807)	(113,205,424)
Payments for grants	-	-	(665,385)	(665,385)	-
Transfer	-	-	-	-	(6,580)
Net Cash Provided (Used) by Operating Activities	(1,925,280)	(1,711,768)	3,255,945	(381,103)	243,739,395
Cash Flows from Investing Activities					
Principal repayments of loans	216,174,916	-	1,678,759	217,853,675	300,195,000
Issuance of loans	(178,516,697)	-	(637,157)	(179,153,854)	(341,240,000)
Change in investments	48,125,199	-	2,113,418	50,238,617	3,605,040
Interest received on loans and investments, net	64,291,910	123,286	436,044	64,851,240	112,614
Issuance of capital lease	-	-	-	-	4,302,110
Purchase/transfer of property and equipment	(73,530)	-	-	(73,530)	(34,894,550)
Net Cash Provided (Used) by Investing Activities	150,001,798	123,286	3,591,064	153,716,148	(67,919,786)
Cash Flows from Non-Capital Financing Activities					
Proceeds from debt issuance	239,715,000	-	-	239,715,000	-
Principal payments to reduce indebtedness including refunding	(330,915,618)	-	-	(330,915,618)	-
Payment of debt issuance costs, net of refunding	(1,675,640)	-	-	(1,675,640)	-
Interest paid on debt	(70,447,344)	-	-	(70,447,344)	-
Net Cash Used by Non-Capital Financing Activities	(163,323,602)	-	-	(163,323,602)	-
Cash Flows from Capital Financing Activities					
Proceeds from debt issuance	-	-	-	-	341,240,000
Principal payments to reduce indebtedness	-	-	(17,423,428)	(17,423,428)	(382,839,362)
Interest paid on debt	-	-	(4,014,172)	(4,014,172)	(139,513,315)
Capital lease principal receipts	-	-	17,420,000	17,420,000	52,930,000
Acquisition of capital assets	-	-	-	-	(3,727,138)
Capital contributions	47,952,096	-	87,898	48,039,994	4,100,008
Issuance of forgivable loans to participants	(3,186,513)	-	-	(3,186,513)	-
Net Cash Provided (Used) by Capital Financing Activities	44,765,583	-	(3,929,702)	40,835,881	(127,809,807)
Net Increase (Decrease) in Cash and Short-term Investments	29,518,499	(1,588,482)	2,917,307	30,847,324	48,009,802
Cash and Short-term Investments					
Beginning of Year	549,025,069	70,925,950	25,242,385	645,193,404	442,677,045
End of Year	$ 578,543,568	$ 69,337,468	$ 28,159,692	$ 676,040,728	$ 490,686,847
Cash and Short-term investments					
Cash	$ -	$ -	$ 541,314	$ 541,314	$ 27,094,396
Short-term Investments	578,543,568	69,337,468	27,618,378	675,499,414	463,592,451
	$ 578,543,568	$ 69,337,468	$ 28,159,692	$ 676,040,728	$ 490,686,847
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ (17,729,035)	$ 62,473,213	$ (74,227)	$ 44,669,951	$ 196,773,141
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Interest on loans	(56,210,767)	-	(248,306)	(56,459,073)	-
Interest expense	68,247,356	-	3,863,806	72,111,162	139,290,948
Bond issuance costs	1,675,640	-	-	1,675,640	2,852,437
Amortization of deferred revenue	-	(53,739,105)	-	(53,739,105)	-
Depreciation	-	-	-	-	15,389,888
Distribution to primary government	-	(7,417,788)	-	(7,417,788)	82,578
Transfer for administrative reimbursement	-	(155,337)	(205,202)	(360,539)	363,038
Changes in assets and liabilities:					
Accounts receivable and other assets	2,000	(1,882,892)	(271,556)	(2,152,448)	(1,445,208)
Accounts payable, accrued expenses and other liablilities	(12,684)	(531,741)	191,430	(352,995)	(3,567,427)
Unearned revenue	-	(458,118)	-	(458,118)	(106,000,000)
Amount due to federal government	2,102,210	-	-	2,102,210	-
	$ (1,925,280)	$ (1,711,768)	$ 3,255,945	$ (381,103)	$ 243,739,395

See accompanying notes to financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION

The accompanying financial statements of Indiana Finance Authority (IFA) as of June 30, 2015, and for the fiscal year then ended, conform with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. IFA's significant accounting policies are as follows:

Reporting Entity: IFA is a component unit of the State of Indiana and IFA's primary purpose is to oversee State-related debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in the State of Indiana (State). IFA was constituted pursuant to changes made to Indiana Code 4-4-10 & 11 et seq., via Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 (PL 235).

In order to provide economic efficiencies, management synergies, and enable the State to communicate as one voice with the various participants in the financial markets, the Indiana Development Finance Authority (IDFA), the State Office Building Commission (SOBC), the Indiana Transportation Finance Authority (ITFA), State Revolving Fund Programs (SRF) and the Recreational Development Commission (RDC) were consolidated under the new Indiana Finance Authority on May 15, 2005 in PL 235. On July 1, 2007, the Indiana Health and Education Facility Finance Authority (IHEFFA) was consolidated under IFA. For purposes of comparison, the previously existing entities are reported in a way that may give the impression that they are still in existence. However, IDFA, SOBC, ITFA, IHEFFA and RDC are no longer existing legal entities.

IFA's primary programs include:

<u>State Finance Programs:</u> As the successor entity to these formerly separate debt issuing entities, IFA is authorized to issue revenue bonds payable from lease rentals under lease agreements with various State agencies, and to finance or refinance the cost of acquiring, building and equipping structures for State use, including State office buildings, garages, highways, bridges, airport facilities, correctional facilities, State hospitals, and recreational facilities related to State parks.

<u>Business Finance Programs:</u> The following are IFA's business finance programs:

- Volume Cap - Indiana's $659 million capacity to issue private activity bonds, competitively awarded based on jobs created and/or retained, wages, capital investment, project location, dedication to low-income housing and other factors.

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

- Tax-Exempt Bond - Industrial revenue bonds, refunding bonds, 501(c)(3) bonds, and smaller bonds issued monthly.

- Health and Education Facilities – financing alternatives for Indiana health care organizations and private institutions of higher education.

Environmental Finance Programs: The following are IFA's environmental finance programs:

- Indiana Brownfields Program - The Program offers financial, technical, legal and educational assistance to eligible entities involved in Brownfields redevelopment. IFA works in partnership with the U.S. Environmental Protection Agency (EPA) and other State agencies to assist communities in making productive use of their Brownfield properties.

- State Revolving Fund Programs (SRF) - The SRF Loan Program provides low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure.

Segment Reporting: Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. A segment is an identifiable activity reported as, or within, an enterprise fund or other reporting entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt.

For the benefit of stakeholders and to address accounting and reporting requirements commonly set forth in bond indentures, IFA has disclosed condensed segment information for all non-conduit debt financing activities regardless of their reporting treatment as enterprise funds or other types of funds, and treatment as major versus non-major in the body of the basic financial statements.

IFA Financial Statements: The basic financial statements include statements required by GASB that present different financial views of IFA:

- The first two statements are government wide financial statements that provide both long-term and short-term information about IFA's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of IFA, reporting IFA's operation in more detail than the government wide statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

The financial statements also include these notes that explain some of the information in the financial statements and provide data that is more detailed. Please note the breakdown of the statements is required by GASB and for financial statement reporting only.

A. Government Wide Financial Statements Basis of Presentation: IFA includes operating functions that conduct governmental activities and business-type activities, which collectively present a government wide summary of the financial position and activities of IFA. The Statement of Net Position and the Statement of Activities display government wide information. IFA's government wide financial statements are divided into two categories:

- **Governmental activities** include the Operating Account (General Funds), Environmental Remediation Revolving Loan Fund, Petroleum Remediation Grant Fund, and Brownfields Cleanup Revolving Fund. Although most internal service funds are associated with business-type activities, some of IFA's internal service funds have characteristics more closely associated with governmental activities. Internal service funds classified as governmental activities include the Highway Revenue Bonds, Transportation Finance General, Public Private Partnerships, Stadium and Convention Center Financing, and State Office Building Commission.

- **Business-type activities** include the State Revolving Fund, Supplemental Fund, Conduit Debt Program Fund, Indiana Toll Road Lease Fund, Aviation Technology Center Fund, Airport Facilities Fund, Indiana Toll Road Project Fund, State Fair Fund, and Recreational Development Commission.

B. Fund Financial Statements Presentation: These statements are reported in two categories: Governmental Funds and Proprietary Funds.

1) Governmental Funds - Governmental Funds report activities for IFA and other State Agencies that support the overall State's basic services. Governmental funds include:

> **General Fund**: The General Fund is used to account for IFA activities not required to be accounted for in another fund. Examples of activities accounted for within the General Fund include IFA operating budget activity, program service revenue and expenses, and certain business and environmental finance programs, not included in special revenue funds or other fund types.

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

Special Revenue Funds: Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specified purpose. IFA's Special Revenue Funds include the following:

The **Environmental Remediation Revolving Loan Fund (Brownfields Fund)** was created in 1997 by the General Assembly to facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues.

The **Petroleum Remediation Grant Fund** is a component of the Environmental Remediation Revolving Loan Fund that provides assistance to cities, towns, and counties in Indiana to complete remediation of petroleum contamination at Brownfield sites. IFA administers the program in conjunction with technical staff of the Indiana Department of Environmental Management (IDEM).

The **Brownfields Cleanup Revolving Fund** is a grant fund, which was capitalized by an award from the EPA. The purpose of the Fund is to establish a revolving loan within the grantee's organization, under a Cooperative Agreement with the EPA. The Fund is used solely to finance remediation activities at eligible Brownfield sites.

2) Proprietary Funds - Proprietary funds follow the economic resources measurement focus, which is concerned with the total resources necessary to operate a particular activity. Accordingly, these funds include capital assets and long-term debt that are not included in governmental funds**.** Proprietary funds include enterprise funds and internal service funds.

Enterprise Funds: Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities are reported as enterprise funds if any of the following criteria are met. Governments should apply each of these criteria in the context of an activity's principal revenue source:

- The activity is financed with debt that is secured solely by a pledge of the net revenue from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not solely from fees and charges of the activity.

NOTE 1 – REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges rather than taxes or similar revenues.

- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

IFA's Enterprise Funds include:

State Revolving Fund reports on the Wastewater State Revolving Fund (WSRF) and Drinking Water State Revolving Fund (DWSRF) programs. The federal Water Quality Act of 1987, as amended in 1996, authorized the EPA to award capitalization grants to states for public drinking water system programs and water pollution control revolving fund programs. Pursuant to Indiana Code 13-18-13 (WSRF Act), the State established a water pollution control revolving fund program to provide financial assistance, essentially, to make loans, to political subdivisions for eligible projects. A variety of political subdivisions and other eligible borrowers may receive loans from the WSRF Program, including municipal sewage works, sanitary districts, regional sewer districts and conservancy districts. Pursuant to Indiana Code 13-18-21 (DWSRF Act), the State has established a public drinking water system program to provide financial assistance for eligible projects. Prior to the program receiving funding as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), financial assistance included making loans to public water systems for eligible projects, as well as providing for administrative expenses, source water assessment and technical assistance for small systems. ARRA and the EPA grant awards amounts prior to June 30, 2015 required the program to provide both loans and forgivable loans to public water systems for eligible projects.

Supplemental Fund reports on low interest loans or grants provided to Indiana communities to improve drinking water and wastewater infrastructure.

Conduit Debt Program Fund reports on financing alternatives for projects eligible for tax-exempt financing under the Internal Revenue Code, Indiana health care organizations and private institutions of higher education.

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

Indiana Toll Road Lease Fund reports on the operating lease between IFA, as lessor, and Indiana Toll Road Concession Company, LLC (ITRCC), as lessee, to manage and operate the Indiana Toll Road, as approved by certain legislation adopted by the Indiana General Assembly. The operating lease began on June 29, 2006 with a term of 75 years.

IFA owns the 157-mile highway, and leases it to ITRCC, which operates from the existing Indiana Toll Road headquarters in Granger, Indiana. IFA received a cash payment of approximately $3.8 billion upon closing of the lease agreement, and ITRCC will receive all tolls and concession revenues for the next 75 years.

Airport Facilities Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by IFA as the Indianapolis Maintenance Center (IMC).

Aviation Technology Center Fund reports on the direct financing activities for airport or aviation related property or facilities referred to by IFA as the Aviation Technology Center.

Internal Service Funds: Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. IFA's Internal Service Funds include:

Indiana Toll Road Project - The Indiana Toll Road Project was a lease between IFA and INDOT to finance and operate the Indiana Toll Road. Separate reporting of the lease agreement was required and was done under the reporting entity entitled the Indiana Toll Road Project. The net assets of the Indiana Toll Road Project are owned by IFA and reported as interest held in assets of the Indiana Toll Road Project on the Statement of Net Position. IFA and INDOT had specified responsibilities under the lease agreement. Indiana Toll Road Bonds were payable from lease rentals INDOT was obligated to pay under the Indiana Toll Road Lease. INDOT set and collected tolls sufficient to provide for operating expenses, major expense fund requirements and payment of base rent to IFA in an amount sufficient for payment of debt service on the Bonds.

The Indiana Toll Road was leased to INDOT until June 29, 2006, when a subsequent lease was entered into between IFA and ITRCC. Activity

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION (Continued)

related to the new lease is reported under the Indiana Toll Road Lease Fund.

Public Private Partnerships – The Public Private Partnership projects includes a joint project between Kentucky and Indiana to construct Downtown Crossing and East End bridges over the Ohio River. Also included in this fund is the I-69 Section 5 project. Public private partnership agreements were initiated between IFA and private parties. The private parties will construct, finance, operate, and maintain the projects. IFA and INDOT entered into use agreements.

Highway Revenue Bonds primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

Stadium and Convention Center Financing Program reports on the financing of the Indiana Stadium and Convention Center project. Construction of the project is managed by the Indiana Stadium and Convention Building Authority (ISCBA). IFA issued $666 million of lease revenue bonds (Stadium), and $329 million of lease revenue bonds (Convention Center) to finance a portion of the construction projects. IFA then entered into a loan agreement with the ISCBA structured with a payment schedule to meet debt service requirements on the bonds.

State Fair Fund's primary purpose is to finance the State Fair Coliseum renovation and build a new arena that is managed by the Indiana State Fair Commission. This fund reports on the direct financing activities and construction of the projects.

The previously existing **State Office Building Commission's** primary purpose was to construct, equip and lease state facilities through revenue bonds as authorized by the Indiana General Assembly. This has now been transferred to IFA. The facilities are leased to the Department of Administration of the State (DOA) under use and occupancy agreements. IFA has been authorized to issue debt obligations to provide funds for:

- Financing the implementation of the Indiana Government Center Master Plan
- Infrastructure and transportation facilities in its vicinity, certain correctional facilities and certain hospitals

(Continued)

NOTE 1 - REPORTING ENTITY AND BASIS OF FINANCIAL PRESENTATION
(Continued)

- Financing the Indiana State Museum acquisition, design and construction costs

- Conducting projects to reduce energy consumption costs and other operating costs at qualified state owned institutions

The previously existing **Recreational Development Commission's** primary purpose was providing funds for projects involving Department of Natural Resources' properties. The Recreational Development Commission (the Commission) was created in 1973 by an Act of the General Assembly. Effective May 15, 2005, all powers and duties of the Commission were transferred to IFA under IC 4-4-10.9 & 11.

The **Transportation Finance General** primary purpose was reporting on the administrative functions of the Transportation Finance Authority, which included salary and benefits and other expenses that supported the related financings and refinancing activities.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The government wide statements and the proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated non-exchange revenues and voluntary non-exchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For IFA, "available" means collectible within one month of the fiscal year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they will be matured or liquidated with expendable financial resources.

Accounting Pronouncements: IFA adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* during fiscal year 2015. This statement required IFA to recognize a liability for its share of the net position liability as calculated by the Indiana Public Retirement System (INPRS). Deferred outflows and inflows of resources resulted from implementing this statement as IFA is restating the beginning net position for fiscal year 2015.

The following is a reconciliation of the beginning net position:

Net position at June 30, 2014, as previously reported	$ (1,350,557,637)
Decrease in net position due to adoption of GASB No. 68	(910,629)
Net position at June 30, 2014, as restated	$ (1,351,468,266)

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting: IFA debt financing agreements and indentures may require the use of specific funds or subfunds to account for the activities within a specific bond issue or other IFA activities. As a result, governmental and proprietary funds may have subfunds and accounts that are considered separate accounting entities for internal reporting purposes. The operations of each specific fund are accounted for with a separate set of self-balancing accounts. IFA uses the following subfund types as applicable for debt financing and indenture agreements:

- General Funds
- Expense Funds
- Lease Revenue Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Replacement Reserve Funds
- Construction Funds (including interest and clearing accounts)

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 could differ from those estimates.

Internal Balances and Activity Reporting in Government Wide Financial Statements: Transaction and balances are recorded as follows:

- **Between funds included in governmental activities** column - Eliminated within the governmental activities column.
- **Between funds included in business-type activities** column - Eliminated within the business-type activities column.
- **Between a fund included in governmental activities column and a fund included in the business-type activities column** - Internal balance; eliminated in the total activities primary government column.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition: The primary revenue sources of IFA are accounted for as follows:

- State appropriations are made by the General Assembly on a biennial basis. Due to the uncertainty of allotment and release of appropriations, IFA records revenues when cash payments are received.
- Toll lease revenue is recognized on an accrual basis. (proprietary fund and government-wide statements)
- Direct financing lease revenue and operating lease revenue are recognized on an accrual basis. (proprietary funds and government-wide statements)
- Investment earnings are recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Loan interest income is recorded on a modified accrual basis for governmental funds and full accrual for proprietary funds and government-wide statements.
- Grant income is recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.
- Program revenue is recognized on an accrual basis for proprietary funds and government-wide statements, and modified accrual basis for governmental funds.

Other relevant policies related to revenues follow:

- Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizens as a whole. Program revenues are separately classified in three categories—(a) charges for services, (b) program-specific operating grants and contributions, and (c) program-specific capital grants and contributions.

- Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and interest on debt and depreciation on capital assets. Governmental fund transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally would not be reported as components of operating income.

- For proprietary funds, revenue and expense transactions normally classified as other than operating cash flows are classified as operating revenues and expenses if those transactions constitute principal ongoing operations. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

- IFA's policy is to apply externally restricted and reserved funds first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Classification: Expenses have been classified using functional and activity classifications using direct costs and estimated indirect cost allocations based upon time allocation and benefit. Direct expenses (charges based on actual use) are not eliminated, whereas indirect expense allocations made in the funds are reversed (unless reported in the separate column).

Net Position and Fund Balances**:** Net position is displayed in three components:

- The Net Investment in Capital Assets component consists of property or infrastructure that IFA acquired, net of the related debt.

- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*.

- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components. IFA has reserved fund equity in special revenue funds for specific purposes as stated in appropriations from the Indiana General Assembly or as designated by IFA's governing body.

- Governmental Funds: Fund balances are displayed in five components:

  - Non-spendable fund balance includes amounts not in spendable form.
  - Amounts listed in restricted fund balance are subject to constraints imposed by external organizations. For purposes of determining the ending fund balance, restricted funds are considered to be spent first when an expenditure occurs for which both restricted and unrestricted amounts are available.
  - Committed fund balance is amounts that are designated by an IFA Board resolution to be used for a specific purpose. If expenditure occurs for which committed, assigned or unassigned amounts are available, committed amounts are considered to be spent first, followed by assigned and then unassigned funds.
  - Assigned fund balance amounts are available for commitment by IFA Board resolution, to projects within the Brownfield program.
  - Unassigned fund balance is the residual classification for the general fund.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents: Cash and equivalents include deposits in financial institutions and short-term investments with original maturities of 90 days or less.

Investments: Investments are recorded at fair value based on quoted market prices of the investment or similar investments. Changes in the fair value of investments, including interest, dividends, realized and unrealized gains and losses are included in the statement of activities. Securities traded on a national exchange are valued at their last reported sales price on the primary exchange on which they are traded. Securities traded in the over-the-counter market, and listed securities for which no sale was reported on that date, are valued at the last reported bid price.

Capital Assets: Capital assets are recorded at historical cost. Cost includes interest expense, net of interest income, incurred during construction until the asset is placed in service.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Infrastructure Assets: The Indiana Toll Road Lease Fund, an enterprise fund, adopted the modified approach for recording infrastructure. Under the modified approach, infrastructure assets that are part of a network or subsystem of a network (hereafter, eligible infrastructure assets) are not required to be depreciated. Condition assessments are performed annually and disclosed as required supplemental information. Expenditures that qualify as maintenance, in nature, are recorded by the lessee. Additions and improvements to eligible infrastructure assets are capitalized by IFA when those additions or improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets.

Capital Leases: Direct financing leases are accounted for by IFA, as lessor, as the sum of minimum lease payments and indirect costs less unearned income. Direct costs and unearned income are amortized over the lease term using the interest rate method that mirrors the underlying long-term debt.

Grants and Accounts Receivable: Grants and accounts receivable balances consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed. Grant expenditures are subject to audit and acceptance by the granting agency and, because of such audit, adjustments could be required.

An allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances, and general economic conditions. Periodically, management reviews grants and accounts receivable and considers the need for an allowance based on current circumstances. Management has estimated that no allowance is necessary at June 30, 2015.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Loans: Loans are carried at the principal amount outstanding. Interest income is accrued on the principal balances of loans. IFA's sources of funding for loans are from state appropriations and grants. Because there are a small number of significant loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that as of June 30, 2015, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the areas that funds are loaned would increase the likelihood of additional losses because of credit and market risks and could create the need for additional loss allowance.

Deferred Lease Revenue: Operating lease cash receipts that have not been earned are recorded as deferred lease revenue and amortized over the life of the lease agreement on a straight-line basis. The primary deferred lease revenue is related to the Indiana Toll Road Lease Fund cash receipt of $3.8 billion from ITRCC that will be earned over the 75-year operating lease.

Deferred Outflows of Resources: IFA reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government wide and proprietary funds statements of net position. The deferred outflows of resources in the current year are deferred outflows of resources related to pension, deferred swap termination, loss on debt refunding, and accumulated decrease in fair value of hedging derivatives. The deferred outflows of resources related to pension are for contributions made to the defined benefit pension plan between the measurement date of the net pension liabilities from those plans and the end of the fiscal year. The deferred swap termination and the loss on debt refunding are being amortized over the life of the refunding bonds as part of interest expense. In addition, deferred outflows of resources include the fair market value of interest rate swaps (see Note 7).

Deferred Inflow of Resources: IFA's government wide and proprietary funds statements of net position report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported in IFA's various statements of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. This deferred inflow of resources is attributed to pension expense over a total of 10 years, including the current year. The deferred inflows of resources also include advanced payment for service concession agreement and deferred service concession arrangement receipts, which are being amortized over the life of the lease.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amount Due to Primary Government: This represents amounts that were due to the State at June 30, 2015 as follows:

	Governmental Activities	Business-type Activities
Liabilities – Amount due to primary government		
Current:		
Division of Historic Preservation and Archaeology	$ 902,808	$ -
Evansville State Hospital	43,083	-
Government Center North	18,993,377	-
Government Center South	17,974,034	-
Indiana State Museum	5,032,133	-
Miami Correctional Facility	33,551,330	-
Pendleton Juvenile Correctional Facility	10,999,006	-
Rockville Correctional Facility	8,940,169	-
Southeast Regional Treatment Center	50,343	-
Toxicology Lab Project -ISP	3,156,567	-
Toxicology Lab Project – ISDH	15,306	-
	$ 99,658,156	$ -

Long-term Debt: Bonds and notes payable are recorded at the principal amount outstanding, net of any applicable premium or discount.

Bond Discount and Issuance Costs: Bond discount costs are amortized using the interest method over the varying terms of the bonds issued. Issuance costs are recorded as expense when incurred.

Compensated Absences: Substantially all employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave, which has been earned but not paid, has been accrued in the accompanying financial statements. Compensation for holiday and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or vest.

Subsequent Events: IFA has evaluated the financial statements for subsequent events occurring through October 21, 2015, the date the financial statements were available to be issued. See Note 13.

NOTE 3 - DEPOSITS AND INVESTMENTS

IFA's Investment Policy:

I. Purpose:

This document sets forth the investment policy of State Issuers, as defined below. This policy serves to ensure that the objectives listed below will be met and applies to: (1) the investment of bond proceeds for which State Issuers have investment responsibility and (2) all other funds related to debt issuance and management with respect to a body corporate and politic.

II. Applicability:

This policy applies to the Indiana Finance Authority ("IFA") and other bodies corporate and politic (collectively, "State Issuers") including, but not limited to, the Indiana Bond Bank, Indiana Housing and Community Development Authority, Indiana State Fair Commission, Ports of Indiana, Indiana Secondary Market For Education Loans ("ISM"), and all state higher educational institutions; provided, however, that this policy shall not apply to those assets of ISM that are not encumbered by trust or otherwise, and instead the Statement of Investment Objectives and Guidelines for ISM as approved by its Board of Directors at a regularly scheduled meeting on April 17, 2014, shall apply to investment of those assets. For purposes of clarity, with respect to Conduit Debt, which is debt issued by a State Issuer and loaned to a Conduit Borrower, the Conduit Borrower, not the State Issuer shall have the investment responsibility for the proceeds of the Conduit Debt. Such proceeds may be invested in the permitted investments provided for in the resolution or indenture pursuant to which such Conduit Debt is issued and shall not be subject to the other provisions of this investment policy.

Any State Issuer may adapt its own investment policy in lieu of this policy, as long as such alternative policy is no less restrictive than this policy or is approved by the Public Finance Director.

III. Objectives

The primary objectives, in priority order, of a State Issuer's investment program should be:

A. Safety

Safety of principal should be the foremost objective of the investment program. Investments should be made in a manner that seeks to ensure the preservation of capital in the overall portfolio. Credit risk will be minimized both by diversification (limiting the potential for loss from any one issuer or any one type of security) and by limiting investments to the types of securities described in Section VI hereof. Market risk will be minimized both by structuring the portfolio so that investments

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

generally mature in time to meet anticipated cash requirements (limiting the need to sell securities prior to maturity) and by investing primarily in shorter-term securities.

B. Liquidity

The investment portfolio should be structured so that investments generally mature in time to meet anticipated cash requirements. Further, since all cash requirements cannot be anticipated, the portfolio should consist primarily of cash equivalents and securities with active secondary or resale markets.

C. Yield

The investment portfolio should be structured with the objective of attaining a market rate of return, taking into account the constraints of safety and liquidity described above. Return on investment is less important than safety and liquidity. Return on investment should typically approximate or exceed the calculated yield on 3-month constant-maturity U.S. Treasury obligations.

D. Full Investment

To the extent practicable, all funds should be fully deployed as earning assets.

E. Minimal Turnover

Securities should typically not be sold, or investment agreements terminated, prior to maturity, with the following exceptions: (1) A declining-credit security can be sold early to minimize the potential loss of principal. (2) A security can be sold and replaced with another if such action improves the quality or yield of the portfolio. (3) A security can be sold early to meet liquidity needs.

IV. Delegation of Authority

Each State Issuer should appoint an Investment Officer that should establish controls and procedures to implement an investment program, which should include regular reporting to the Public Finance Director and to the governing board of the State Issuer.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

V. Standard of Care

A. Prudence

Investments should be made in accordance with the prudent person standard. This standard provides that an investor should act with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

Investment officers acting in accordance with this investment policy statement and any written procedures and exercising due diligence, should be relieved of personal liability for an individual security's credit risk or market price changes, provided that deviations from expected results are reported in a timely fashion and that appropriate action is taken to control adverse developments.

B. Ethics and Conflicts of Interest

Investment Officers should refrain from personal business activity that could conflict with the proper execution and management of a State Issuer's investment program, or that could impair their ability to make impartial decisions. Investment Officers should also maintain knowledge of all applicable laws, rules, and regulations; and not knowingly violate, or participate or assist in the violation of, such laws, rules, and regulations.

VI. Permitted Investments

A. A State Issuer is only permitted to invest indentured funds in those securities authorized by the applicable trust indenture and statutes, which authorizations are hereby made a part of this policy. In addition to restrictions under indentures, it is the policy of a State Issuer to limit allowable investments to the following types of securities:

1. U.S. Treasury securities (*e.g.* bills, notes, bonds, SLGS, STRIPS, and TIPS), which are backed by the full faith and credit of the U.S. government

2. Federal agency obligations (including both federally related institution securities and federally sponsored agency securities), including, but not limited to, Ginnie Mae, Fannie Mae, Freddie Mac, Farmer Mac, and Federal Home Loan Bank debt
   - any full-faith-and-credit securities are permitted

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- non-full-faith-and-credit debt securities are permitted if rated in one of the two highest rating categories by one of the following rating agencies: Fitch, Moody's, and Standard & Poor's (the "Rating Agencies")

3. Mortgage pass-through securities issued by Ginnie Mae, Fannie Mae, or Freddie Mac
   - any full-faith-and-credit securities are permitted
   - non-full-faith-and-credit pass-through securities are permitted if guaranteed by the issuing agency, and if the issuing agency is rated in one of the two highest rating categories by one of the Rating Agencies

4. Obligations of state and local governments in the United States and their political subdivisions, if rated in one of the three highest rating categories by one of the Rating Agencies or such obligation is a pre-refunded obligation that has been legally defeased with any investments permitted in this policy

5. Repurchase agreements, if at least 102% collateralized by any of the above

6. Money market mutual funds regulated by the Securities and Exchange Commission
   - only no-load funds are permitted (*i.e.* no commission or fee should be charged on purchases or sales of shares)
   - permitted funds will be those that limit assets of the fund to U.S. Treasury securities, federal agency securities, and repurchase agreements collateralized by the same; or that are rated in the highest rating category by one of the Rating Agencies
   - these funds seek to maintain a stable net asset value of $1.00 per share
   - by definition these funds will meet the requirements for portfolio maturity, portfolio quality, and portfolio diversification in Rule 2a-7 under the Investment Company Act of 1940

7. Commercial paper, if rated in the highest rating category by one of the Rating Agencies, with a maturity not to exceed 370 days

8. Investment agreements, if the provider is rated the equivalent of Aa3 or higher by one of the Rating Agencies

9. Time deposits (includes Certificates of Deposits, Money Market Accounts, Savings, etc) with maturities not exceeding five years, in state- or nationally-chartered banks whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"), with balances not to exceed the FDIC coverage limit, or in any financial institution designated by the Indiana State Board of Finance as an approved depository for public funds, subject to the Indiana Board for Depositories' Rules of Collateralization

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

B. Additional securities may be added to the approved list shown above with the prior approval of the Public Finance Director and the governing board of the applicable State Issuer.

C. Investments are not permitted in certain derivatives, nor in certain mutual funds, which invest primarily in such securities. Investments specifically prohibited are those characterized as being illiquid, highly volatile and difficult to value. Prohibited securities include, but are not limited to, mortgage derivatives such as Z-bonds, PAC-2s, and Re-REMICS.

D. Pursuant to IC 4-4-11-15(50), certain swap agreements (as defined in IC 8-9.5-9-4) are permissible as part of the bond issuance process, pursuant to the guidelines of IC 8-9.5-9-5 and IC 8-9.5-9-7 (Appendix E). These agreements include rate swap agreements, basis swaps, forward rate agreements, interest rate options, rate cap agreements, rate floor agreements, rate collar agreements, and any similar agreements (including any option to enter into any such agreement).

E. At times, funds may be invested for the betterment of the state economy or that of local entities within the state. These development-oriented investments may not fit the permitted investments listed above. In the future, any such investments will be subject to the prior approval of the Public Finance Director and the governing board of the State Issuer. The Indiana Seed Fund I, LLC, an existing equity investment under the former Indiana Health and Educational Facility Financing Authority, is an example that will not be subject to the requirements herein and was previously approved by that board.

VII. Investment Parameters

A. Maximum Maturity

To the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, a State Issuer should not typically invest in securities maturing more than five years from the date of purchase. However, reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.

B. Average Maturity

The average weighted maturity of the portfolio should not typically exceed two years.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

C. Diversification

Investments should be diversified by type of security and issuer. Except for cash equivalents and U.S. Treasury and Agency securities, the total portfolio should consist of no more than 40% of any single type of security.

D. Investment Directives

In lieu of specific investment directives, an Investment Officer may issue general directives to the appropriate trustee for the investment of certain funds. These directives should be consistent with this Policy and the appropriate trust indenture.

VIII. Authorized Broker/Dealers

A. All financial institutions currently serving as trustee for any State Issuer or component unit of a State Issuer are authorized to provide investment services, including investment advice, to a State Issuer. In addition, the Investment Officers should maintain a list of broker/dealers authorized to provide a State Issuer with investment services and advice. Such list should be reported to a State Issuer on an annual basis. Broker/dealers may be primary dealers or regionally recognized dealers. However, any broker/dealer which desires to serve in any capacity other than as an advisor should provide a State Issuer with the following in order to be initially approved and update the same annually, every July 1, for as long as the Authorized Broker/Dealer conducts business with the IFA:

- Current audited financial statements
- Copies of their firm's Financial Industry Regulatory Authority ("FINRA") BrokerCheck Report, including the related reporting information for all individuals who will work on the IFA Account
- Authorized Brokers/Dealers are required to update the IFA if any new Disclosure Events are posted to their FINRA BorkerCheck Report regarding the firm or any individuals working for the firm between yearly disclosures
- Certification of having read this Investment Policy

B. Each Investment Officer is authorized to enter into safekeeping agreements, wire transfer agreements or other agreements necessary or useful in administering this policy. A background check is required for each Investment Officer prior to this authorization.

C. The Investment Officers should conduct an annual review of the financial condition and registration of all broker/dealers on the authorized list.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

IX. Safekeeping and Custody

A. Communication

All investment transactions, including, but not limited to, those completed by telephone, should be supported in writing and approved by an Investment Officer. Written communication may be made by facsimile on State Issuer's letterhead.

B. Book Entry

A State Issuer should strive to invest in book-entry securities, thus avoiding physical delivery of securities. No securities should be physically stored or kept in the offices of a State Issuer.

C. Custodial Safekeeping

Securities purchased from any bank or dealer, including collateral when appropriate, should generally be placed with the appropriate trustee or with an independent third party for safekeeping.

Any security that can be wired over the FedWire will be kept safe in a customer or trust account in a Federal Reserve Bank through the appropriate custodial bank.

Any security not able to be wired over the FedWire, which is held by the Depository Trust Corporation (DTC), should be held in the name of a State Issuer or trustee through the appropriate custodial bank.

Securities may be held by a broker/dealer to the extent the broker/dealer serves as an agent for a State Issuer or the appropriate trustee. No securities will be held by a broker/dealer without evidence of adequate Securities Investor Protection Corporation (SIPC) insurance (or protection judged to be equivalent by a State Issuer or the appropriate trustee).

D. Delivery vs. Payment

All securities will be held in accounts in the name of the State Issuer or the appropriate trustee. Securities will be deposited prior to the release of funds. Securities held by a third party custodian will be evidenced by safekeeping receipts.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

X. Performance and Reporting

A. Annual Report

The Investment Officers should prepare an investment report at least annually, which should provide a clear picture of the status of the portfolio and transactions made over the preceding year. Such report should be designed to allow the governing body of a State Issuer and the Public Finance Director to ascertain whether the investment activities during the reporting period have conformed to this policy.

B. Performance

The portfolio should achieve a market rate of return during a market environment of stable interest rates. Portfolio performance should be compared at least annually to the yield on 3-month U.S. Treasury obligations. Such performance comparison should be included in the annual report.

XI. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. IFA's Investment Policy Statement includes the following provisions:

- Maximum Maturities -- to the extent possible, investments will be matched with anticipated cash flow requirements. Unless matched to a specific cash flow, IFA will not directly invest in securities maturing more than five years from the date of purchase. Reserve funds and other funds with longer-term investment horizons may be invested in securities exceeding five years, if the maturities of such investments precede the expected use of funds.
- Average Maturity -- The average weighted maturity of the portfolio should not typically exceed two years.
- Diversification –- investments will be diversified by type of security and issuer except for cash equivalents and U.S. Treasury securities, the total portfolio shall consist of no more than 40% of any single type of security.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

At June 30, 2015, IFA had the following investments and maturities:

Governmental Activities:		Investment Maturities (in years)			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	Greater than Ten Years
Money Market Investment	$ 398,217,341	$ 398,217,341	$ -	$ -	$ -
Government Obligations	70,691,941	70,691,941	-	-	-
Bank Deposits	4,943,874	4,190,243	753,631	-	-
Repurchase Agreements	2,999,447	2,999,447			
Total	$ 476,852,603	$ 476,098,972	$ 753,631	$ -	$ -

Business-Type Activities:		Investment Maturities (in years)			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	Greater than Ten Years
Money Market Investment	$ 594,912,591	$ 594,912,591	$ -	$ -	$ -
Government Obligations	80,721,432	42,743,610	19,578,481	18,399,341	-
U.S. Treasury	146,069,362	7,084,032	58,728,223	67,477,764	12,779,343
Bank Deposits	44,538,383	37,791,551	6,746,832	-	-
Private Equity	2,205,695	2,205,695	-	-	-
Total	$ 868,447,463	$ 684,737,479	$ 85,053,536	$ 85,877,105	$ 12,779,343

XII. Custodial Credit Risk

Custodial credit risk is the risk that IFA 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 IFA, and are held by either the counterparty of the counterparty's trust department or agent but not in IFA's name.

Due to compliance with provisions within IFA's Investment Policy, there was no custodial credit risk.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

XIII. Credit Risk

IFA's fixed income portfolio investment policy sets credit quality rating guidelines and benchmark indices for each of its sub asset classes and or as outlined in each portfolio manager contract. The quality rating of investments in fixed income securities as described by nationally recognized statistical rating organizations at June 30, 2015 are as follows:

Governmental Activities:

Investment Type	**S & P**	**Moody's**	**Fitch**	**Fair Value**
Money Market Investment	AAAm	Aaa-mf	AAAmmf	$ 377,769,338
	AAAm	Aaa-mf	N/A	18,323,281
	AAAm	N/A	N/A	2,124,722
Government Obligations	AA+	Aaa	AAA	70,691,941
Bank Deposits	AA+	Aaa	AAA	4,943,874
Repurchase Agreements				2,999,447
				$ 476,852,603

Business-Type Activities:

Investment Type	**S & P**	**Moody's**	**Fitch**	**Fair Value**
Money Market Investment	AAAm	Aaa-mf	N/A	$ 408,411,188
	AAAm	Aaa-mf	AAAmmf	186,501,403
U.S. Treasury	AA+	Aaa	AAA	146,069,362
Government Obligations	AA+	Aaa	AAA	80,721,432
Bank Deposits	N/A	N/A	N/A	35,291,635
	AA+	Aaa	AAA	9,246,748
Private Equity	N/A	N/A	N/A	2,205,695
				$ 868,447,463

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

XIV. Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may arise in the event of default by a single issuer. Under IFA's Investment Policy Statement, investments should be diversified by type of security and institution. Except for cash equivalents, indenture purpose investments, and U.S. Government Securities, the total portfolio should consist of no more than 40% of any single type of security. At June 30, 2015, there were no concentrations of credit risk.

The following table shows investments in issuers that represent 5% or more of the total investments at June 30, 2015:

Dreyfus Cash Management CI A Fd 288 (DICXX)	21%
BlockRock MMF	19%
Goldman Prime Financial Square MM (FPOXX)	13%
U.S. Treasury	11%
Federal Government Agency Debt	11%
First American Prime	10%
JPMorgan Prime Mmkt Instit Fd 829	5%
Morgan Stanley Prime	5%

XV. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Investments are not included as allowable investments per IFA's policy. At June 30, 2015, there was no foreign currency risk exposure.

XVI. Securities Lending

The State Treasurer is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least $10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The State Treasurer may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50 percent of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the U.S., an agency of the U.S. government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities.

Collateral securities and cash are initially pledged at 102 percent of the market value of the securities lent. The collateral securities cannot be pledged or sold by the State Treasurer unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. The contracts with custodians require them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At June 30, 2015, the investments had no credit risk exposure on securities lending.

XVII. Deposit Risks

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized or collateralized with securities held by the pledging financial institution. Deposits held in the four demand deposit accounts are carried at cost and are insured up to $250,000 per financial institution. Deposits in the interest-bearing demand accounts held in excess of $250,000 are not collateralized.

At June 30, 2015, the carrying amount of demand deposits was $27,823,046, and bank balances were $28,827,356. IFA's maximum risk was $27,323,046 at June 30, 2015.

(Continued)

NOTE 4 - LOANS RECEIVABLE

IFA has four programs that provide loans to qualified participants including:

Governmental Activities:

1) **Environmental Remediation Revolving Loan Fund (Brownfields) –** Loans facilitate economic development and environmental remediation for inactive or abandoned industrial or commercial property upon which redevelopment is difficult due to environmental issues. Net loans receivable were $6,330,633 at June 30, 2015.

2) **Stadium and Convention Center Financing –** Loans provided to the Indiana Stadium and Convention Center Building Authority (ISCBA) for the construction of Lucas Oil Stadium and the expansion of the Indianapolis Convention Center. Loans receivable were $981,950,177 at June 30, 2015.

Business-Type Activities:

3) **State Revolving Fund -** Low-interest loans to Indiana communities for projects that improve wastewater and drinking water infrastructure. Net loans receivable were $1,964,232,768 at June 30, 2015.

4) **Supplemental Fund -** Low interest loans provided to Indiana communities to improve drinking water and wastewater infrastructure. Net loans receivable were $13,259,071 at June 30, 2015.

Additional disclosures are provided below for each loan program:

1) Environmental Remediation Revolving Loan Fund (Brownfields)

Loans receivable were comprised of the following at June 30, 2015:

Loans receivable - gross	$ 7,593,879
Less: allowance for uncollectible loans	(76,000)
Less: allowance for forgivable portion of Brownfields loans	(1,187,246)
	$ 6,330,633

There were approximately thirty loans and advances outstanding with Indiana municipalities at June 30, 2015. Approximately $893,828 was available for disbursement on three outstanding loan commitments. Interest earned on these loans during the year ended June 30, 2015 was approximately $86,000, and accrued interest was approximately $8,000 at June 30, 2015.

NOTE 4 - LOANS RECEIVABLE (Continued)

The program includes a partially forgivable loan program with certain eligibility requirements. Eligible participants have a provision for forgiveness of up to 20% of the original loan balance if certain performance criteria are met. IFA has recorded an allowance that represents the current amount available for forgiveness on loans that qualified under the program.

2) Stadium and Convention Center Financing

Loans receivable is equal to the balance of the Stadium and Convention Center bonds issued by IFA.

Stadium	$ 648,113,010
Convention Center	333,837,167
	$ 981,950,177

Interest earned on loans receivable was approximately $70,593,000 during the year ended June 30, 2015, and accrued interest on loans was approximately $8,405,000 at June 30, 2015.

Due to the nature of the financing of these loans, management has estimated that no allowance for uncollectible loans was necessary at June 30, 2015.

3) State Revolving Fund

The loans receivable balance at June 30, 2015 includes actual advances for construction and related costs on eligible projects net of principal payments from participants as follows:

Wastewater Fund	$1,634,317,388
Drinking Water Fund	345,903,939
	1,980,221,327
Less: allowance for forgivable portion – Wastewater	(5,285,780)
Less: allowance for forgivable portion – Drinking Water	(10,702,779)
	$1,964,232,768

These amounts represent projects that have been submitted and approved by the SRF Programs, and the loans have been closed. Interest earned on loans receivable was approximately $56,211,000 during the year ended June 30, 2015, and accrued interest on loans was approximately $22,208,000 at June 30, 2015.

(Continued)

NOTE 4 - LOANS RECEIVABLE (Continued)

4) Supplemental Fund

Loans receivable were comprised of the following at June 30, 2015:

Loans receivable - gross	$ 13,393,071
Less: allowance for uncollectible loans	(134,000)
	$ 13,259,071

There were approximately sixty-five loans and advances outstanding with Indiana municipalities for drinking water and wastewater projects at June 30, 2015. Interest earned on these loans during the year ended June 30, 2015 was approximately $248,000, and accrued interest was approximately $92,000 at June 30, 2015.

(Continued)

NOTE 5 - CAPITAL ASSETS

Governmental Activities:

Capital assets used in governmental activities included the following for the State Office Building Commission, Public Private Partnerships, Operating Accounts and Environmental Remediation Revolving Loan Fund:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Capital assets, not being depreciated				
Land	$ 12,890,513	$ -	$ -	$ 12,890,513
Construction in progress	12,753,111	29,035,267	-	41,788,380
Total capital assets, not being depreciated	25,643,624	29,035,267	-	54,678,893
Capital assets being depreciated:				
Buildings and improvements	488,782,160	4,578,291	-	493,360,451
Furniture, machinery and equipment	4,721,095	5,479	-	4,726,574
Total capital assets, being depreciated	493,503,255	4,583,770	-	498,087,025
Less accumulated for:				
Buildings and improvements	173,158,684	-	13,237,240	186,395,954
Furniture, machinery and equipment	3,853,592	-	169,619	4,023,211
Total accumulated depreciation	177,012,276	-	13,406,889	190,419,165
Total capital assets being depreciated, net	316,490,979	4,583,770	13,406,889	307,667,859
Capital assets, net	$ 342,134,603	$ 33,619,037	$ 13,406,889	$ 362,346,751

(Continued)

NOTE 5 - CAPITAL ASSETS (Continued)

Business-Type Activities:

Capital assets used in business-type activities included the following for the Indiana Toll Road Lease Fund, Recreational Development Commission, and State Revolving Fund:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Capital assets, not being depreciated				
Land	$ 28,918,849	$ -	$ -	$ 28,918,849
Infrastructure	484,036,648	-	-	484,036,648
Construction in progress	604,124	1,347,761	-	1,951,885
Total capital assets, not being depreciated	513,559,621	1,347,761	-	514,907,382
Capital assets being depreciated:				
Buildings and improvements	126,933,720	7,750	-	126,941,470
Furniture, machinery and equipment	32,556,131	-	-	32,556,131
Total capital assets, being depreciated	159,489,851	7,750	-	159,497,601
Less accumulated for:				
Buildings and improvements	64,156,625	-	1,951,195	66,107,820
Furniture, machinery and equipment	243,432	-	42,162	285,594
Total accumulated depreciation	64,400,057	-	1,993,357	66,393,414
Total capital assets being depreciated, net	95,089,794	7,750	1,993,357	93,104,188
Capital assets, net	$ 608,649,415	$ 1,355,511	$ 1,993,357	$ 608,011,569

At June 30, 2015, IFA had the following construction and related cost commitments:

Government-Type Activities:

Private Public Partnerships – The IFA has entered into a Public-Private Agreement with a developer for the building of the East End Crossing (Louisville – Southern Indiana Ohio River Bridges Project). The IFA will pay availability payments to the developer upon substantial completion of the East End Crossing. IFA has entered into a Use Agreement with the Indiana Department of Transportation (INDOT), which provides that INDOT will make payments to IFA in an amount equal to the availability payments.

Business-Type Activities:

Indiana Toll Road Lease Fund – Commitments related to the Indiana Toll Road were approximately $1,750,000 for environmental remediation projects.

(Continued)

NOTE 6 - CAPITAL LEASES

At June 30, 2015, IFA's future minimum lease amounts receivable under capital leases were as follows:

Governmental Activities:

	Principal	Interest	Future Minimum Lease Receipts
June 30, 2016	$ 61,360,934	$ 45,409,625	$ 106,770,559
June 30, 2017	62,348,613	43,692,149	106,040,762
June 30, 2018	61,617,658	41,842,465	103,460,123
June 30, 2019	62,890,712	39,373,035	102,263,747
June 30, 2020	66,157,868	36,098,584	102,256,452
2021 - 2025	384,337,715	127,083,962	511,421,677
2026 - 2029	362,595,000	38,174,475	400,769,475
	1,061,308,500	371,674,295	1,432,982,795
Less remaining accretion / discount	(7,231,291)	-	(7,231,291)
	$ 1,054,077,209	$ 371,674,295	$ 1,425,751,504

Business-Type Activities:

	Principal	Interest	Future Minimum Lease Receipts
June 30, 2016	$ 17,810,000	$ 5,800,288	$ 23,610,288
June 30, 2017	18,875,000	4,905,563	23,780,563
June 30, 2018	19,420,000	3,979,138	23,399,138
June 30, 2019	19,805,000	3,031,663	22,836,663
June 30, 2020	1,720,000	2,518,738	4,238,738
2021 - 2025	9,750,000	11,439,588	21,189,588
2026 - 2030	12,225,000	8,953,663	21,178,663
2031 - 2035	15,375,000	5,812,919	21,187,919
2036 - 2040	15,365,000	1,584,375	16,949,375
	130,345,000	48,025,935	178,370,935
Less remaining accretion / premium	6,065,206	-	6,065,206
	$ 136,410,206	$ 48,025,935	$ 184,436,141

(Continued)

NOTE 6 - CAPITAL LEASES (Continued)

IFA's changes in capital leases were as follows based on type of activity:

Governmental Activity

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year	Amount Due Thereafter
State Office Building Commision	$ 38,502,880	$ 732,465	$ 6,036,845	$ 33,198,500	$ 6,560,934	$ 26,637,566
Highway Revenue Bonds	1,070,081,571	3,727,138	52,930,000	1,020,878,709	54,800,000	966,078,709
	$ 1,108,584,451	$ 4,459,603	$ 58,966,845	$ 1,054,077,209	$ 61,360,934	$ 992,716,275

Business-Type Activity

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year	Amount Due Thereafter
Airport Facilities	$ 86,920,000	$ -	$ 16,640,000	$ 70,280,000	$ 17,010,000	$ 53,270,000
Aviation Technology Center	3,260,000	-	780,000	2,480,000	800,000	1,680,000
State Fair Fund	62,647,935	1,002,271	-	63,650,206	-	63,650,206
	$ 152,827,935	$ 1,002,271	$ 17,420,000	$ 136,410,206	$ 17,810,000	$ 118,600,206
Total	$ 1,261,412,386	$ 5,461,874	$ 76,386,845	$ 1,190,487,415	$ 79,170,934	$ 1,111,316,481

Capital lease interest rates are structured based on the related bonds principal and interest schedules that are reflected in Note 7 of the financial statements for each bond issue or note payable.

State Office Building Commission

IFA entered into three separate Energy Cost Savings Leases on behalf of the Department of Correction (DOC). The concept of the Energy Cost Savings Lease is that the savings from energy expenses can be used to pay for the debt service incurred to install the equipment necessary to create these savings. IFA has signed a Use and Occupancy Agreement with DOC that will charge DOC the full amount of the debt service (plus any additional cost like insurance) for the lease that has been signed by IFA and the lessor of the equipment (a financial company in all cases). DOC expects to pay for the lease by using their General Fund Appropriations. Neither DOC nor IFA is obligated to use any other revenues to pay such lease rentals. Upon the completion of the lease, the property will be owned by DOC.

Highway Revenue Bonds

IFA issues its highway revenue bonds to finance and refinance highway and bridge projects, as follows:

- INDOT leases right-of-way and other property, on which a highway or bridge project is to be situated, to IFA under a ground lease agreement and supplement for the particular project.
- INDOT constructs the project for IFA under a construction agreement and supplement for the particular project.
- Once constructed, IFA leases the project to INDOT under a master lease agreement and supplement for the particular project.

NOTE 6 - CAPITAL LEASES (Continued)

Lease payments made by INDOT under the master lease and supplements are used to pay debt service on the highway revenue bonds when due.

Under the construction and other agreement and supplements for the highway and bridge projects, IFA reimburses INDOT for construction and design costs incurred by INDOT. Costs not yet reimbursed are recorded in the construction fund as accrued expenses. There were no construction and design costs recognized as additions to capital leases or capital outlay reimbursements to INDOT during fiscal year 2015.

Airport Facilities

In order to finance the construction of the Indianapolis Maintenance Center (IMC) at Indianapolis International Airport, IFA, the City of Indianapolis (the City) and the Indianapolis Airport Authority (the IAA) entered into a number of agreements, including leases, providing for the acquisition, construction, equipping and financing of the IMC (collectively, the Joint Venture).

Under the Joint Venture, IFA's undivided interest as a tenant in the IMC is determined in proportion to the money it contributes to the acquisition, construction and equipping of the IMC from proceeds of IFA's revenue bonds issued to finance the IMC. The City's and the IAA's undivided interests are established in the same way, but by reference to the amount of money they contribute to the IMC from their revenue bond proceeds.

IFA leases its undivided interest in the IMC to the IAA. Upon termination of that lease, the IAA will succeed to IFA's interest in the Joint Venture. The IAA is obligated to pay IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly.

Aviation Technology Center

The Aviation Technology Center Lease Revenue Bonds were issued to finance and refinance an aviation technology education center at the Indianapolis International Airport. The center is used by Vincennes and Purdue universities to provide a variety of aviation-related post secondary education programs. IFA leases the center to the IAA under a lease agreement. The IAA is obligated to pay to IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay IFA expenses and ground rent obligations. The IAA expects to pay the lease rentals through appropriations made by the General Assembly. The IAA is not obligated to use any other revenue to pay such lease rentals. IFA leases the ground on which the center is situated from the IAA under a ground lease agreement. Upon termination of the ground lease agreement, the center will become property of the IAA.

(Continued)

NOTE 6 - CAPITAL LEASES (Continued)

State Fair Fund

The Indiana State Fair Commission (ISFC) Facility Revenue Bonds were issued to finance property improvements at the Indiana State Fairgrounds. IFA and ISFC entered into a Master Use and Occupancy Agreement where IFA would lease back existing property under the Base Lease as well as property improvements. The ISFC is obligated to pay to IFA lease rentals sufficient to pay the principal of and interest on the revenue bonds. ISFC will pay lease payments from Coliseum revenues. Rights upon termination of property and improvements go to ISFC.

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY

At June 30, 2015, the debt service requirements for bonds and notes payable under governmental and business-type activities were as follows:

Governmental Activities:

	Highway Revenue Bonds	State Office Building Commission	*Stadium & Convention Center Financing	Governmental Total
Principal:				
June 30, 2016	$ 54,800,000	$ 29,243,199	$ 6,650,000	$ 90,693,199
June 30, 2017	56,005,000	30,251,134	2,425,000	88,681,134
June 30, 2018	57,955,000	27,904,229	6,435,000	92,294,229
June 30, 2019	60,165,000	34,901,405	10,055,000	105,121,405
June 30, 2020	63,380,000	36,222,756	11,075,000	110,677,756
2021 - 2025	373,210,000	84,951,154	71,330,000	529,491,154
2026 - 2030	362,595,000	17,395,000	174,975,000	554,965,000
2031 - 2035	-	-	362,450,000	362,450,000
2036 - 2039	-	-	370,730,000	370,730,000
Remaining accretion /	1,028,110,000	260,868,877	1,016,125,000	2,305,103,877
premium (discount)	(7,231,291)	9,971,684	47,591,960	50,332,353
	$ 1,020,878,709	$ 270,840,561	$ 1,063,716,960	$ 2,355,436,230
Interest:				
June 30, 2016	$ 45,063,205	$ 10,687,660	$ 43,816,346	$ 99,567,211
June 30, 2017	43,204,763	9,516,842	49,554,591	102,276,196
June 30, 2018	41,448,158	8,317,944	50,821,231	100,587,333
June 30, 2019	39,043,020	6,857,990	50,712,226	96,613,236
June 30, 2020	35,824,920	5,168,683	50,266,144	91,259,747
2021 - 2025	126,569,111	9,594,577	241,458,297	377,621,985
2026 - 2030	38,174,475	913,281	216,773,815	255,861,571
2031 - 2035	-	-	145,033,536	145,033,536
2036 - 2039	-	-	42,381,303	42,381,303
	$ 369,327,652	$ 51,056,977	$ 890,817,489	$ 1,311,202,118
Total Debt Service	$ 1,390,206,361	$ 321,897,538	$ 1,954,534,449	$ 3,666,638,348

* Total interest reflects variable rate bond interest payments and net swap payments assuming current interest (at June 30, 2015) remain the same in future years.

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Business-Type Activities:

	Enterprise				Internal Service			
	Airport Facilities	Aviation Technology Center	State Revolving Loan Fund	Total	Recreational Development Commission	State Fair Fund	Total	Business-Type Total
Principal:								
June 30, 2016	$ 17,010,000	$ 800,000	$ 89,100,000	$ 106,910,000	$ 2,505,000	$ 860,000	$ 3,365,000	$ 110,275,000
June 30, 2017	17,360,000	830,000	87,855,000	106,045,000	2,655,000	1,565,000	4,220,000	110,265,000
June 30, 2018	17,765,000	850,000	88,995,000	107,610,000	2,805,000	1,610,000	4,415,000	112,025,000
June 30, 2019	18,145,000	-	119,395,000	137,540,000	2,965,000	1,660,000	4,625,000	142,165,000
June 30, 2020	-	-	113,880,000	113,880,000	2,325,000	1,720,000	4,045,000	117,925,000
2021 - 2025	-	-	468,005,000	468,005,000	8,930,000	9,750,000	18,680,000	486,685,000
2026 - 2030	-	-	284,185,000	284,185,000	375,000	12,225,000	12,600,000	296,785,000
2031 - 2035	-	-	117,475,000	117,475,000	-	15,375,000	15,375,000	132,850,000
2036 - 2039	-	-	-	-	-	15,365,000	15,365,000	15,365,000
	70,280,000	2,480,000	1,368,890,000	1,441,650,000	22,560,000	60,130,000	82,690,000	1,524,340,000
premium	-	-	155,024,047	155,024,047	2,031,069	6,117,295	8,148,364	163,172,411
	$ 70,280,000	$ 2,480,000	$ 1,523,914,047	$ 1,596,674,047	$ 24,591,069	$ 66,247,295	$ 90,838,364	$ 1,687,512,411
Interest:								
June 30, 2016	$ 3,088,750	$ 63,900	$ 64,913,257	$ 68,065,907	$ 948,877	$ 2,711,088	$ 3,659,965	$ 71,725,872
June 30, 2017	2,229,500	38,700	62,078,719	64,346,919	848,817	2,674,713	3,523,530	67,870,449
June 30, 2018	1,351,375	12,750	57,829,881	59,194,006	738,843	2,627,088	3,365,931	62,559,937
June 30, 2019	453,625	-	53,541,731	53,995,356	619,452	2,578,038	3,197,490	57,192,846
June 30, 2020	-	-	47,642,256	47,642,256	511,340	2,518,738	3,030,078	50,672,334
2021 - 2025	-	-	160,948,206	160,948,206	797,500	11,439,588	12,237,088	173,185,294
2026 - 2030	-	-	71,139,406	71,139,406	9,375	8,953,663	8,963,038	80,102,444
2031 - 2035	-	-	11,505,094	11,505,094	-	5,812,919	5,812,919	17,318,013
2036 - 2039	-	-	-	-	-	1,584,375	1,584,375	1,584,375
	$ 7,123,250	$ 115,350	$ 529,598,550	$ 536,837,150	$ 4,474,204	$ 40,900,210	$ 45,374,414	$ 582,211,564
Total Debt Service	$ 77,403,250	$ 2,595,350	$ 2,053,512,597	$ 2,133,511,197	$ 29,065,273	$ 107,147,505	$ 136,212,778	$ 2,269,723,975

Changes in long-term liabilities were as follows, based on type of activity:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities:						
Revenue bonds and notes payable	$ 2,347,579,200	$ 392,653,488	$ 384,796,458	$ 2,355,436,230	$ 90,693,199	$ 2,264,743,031
Net pension liability	-	994,673	-	994,673	-	994,673
Derivative instument liability	161,878,606	-	62,333,702	99,544,904	-	99,544,904
	$ 2,509,457,806	$ 393,648,161	$ 447,130,160	$ 2,455,975,807	$ 90,693,199	$ 2,365,282,608
Business-Type Activities:						
Revenue bonds payable	$ 1,803,597,650	$ 263,321,572	$ 379,406,811	$ 1,687,512,411	$ 110,275,000	$ 1,577,237,411
Due to federal government	-	2,102,210	-	2,102,210	-	2,102,210
Unearned revenue	31,281,313	30,813,258	31,271,376	30,823,195	26,705,625	4,117,570
Pollution remediation	2,225,265	-	475,755	1,749,510	592,284	1,157,226
	$ 1,837,104,228	$ 296,237,040	$ 411,153,942	$ 1,722,187,326	$ 137,572,909	$ 1,584,614,417

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

The following is a summary of long-term debt outstanding at June 30, 2015, for each fund with the activity categories:

	Future Interest Rate Range	Maturity Range	Annual Principal Payment Range	Amount Outstanding
Governmental Activities:				
Highway Revenue	3% to 7.25%	2015 to 2029	$36,409,025 to $96,240,000	$ 1,020,878,709
State Office Building Commission	1.33% to 5.25%	2015 to 2028	$5,625,000 to $36,222,756	270,840,561
Stadium Project	4.631% to 5.381%	2016 to 2037	$1,980,000 to $71,910,000	718,852,606
Convention Center Project	4.00% to 6.596%	2016 to 2039	$400,000 to $99,430,000	344,864,354
				$ 2,355,436,230
Business-type Activities:				
Airport Facilities	5.00%	2015 to 2019	$17,010,000 to $18,145,000	$ 70,280,000
Aviation Technology Center	3.00% to 4.00%	2015 to 2018	$800,000 to $850,000	2,480,000
State Revolving Loan Fund	2.00% to 5.50%	2016 to 2032	$7,970,000 to $121,290,000	1,523,914,047
Recreational Development Commission	.9% to 5%	2015 to 2026	$360,000 to $3,225,000	24,591,069
State Fair Fund	3.00% to 5.00%	2015 to 2039	$860,000 to $4,135,000	66,247,295
				$ 1,687,512,411

Variable rate long-term debt terms are as follows:

Governmental Activities:

Bond Series	Outstanding Amount	Interest Rate (Range)	Notes
Stadium Project 2005A	$ 250,000,000	0.02% to 0.80%	(1)
Stadium Project 2007A	162,490,000	0.01% to 0.13%	(1)
Stadium Project 2008A	36,650,000	0.02% to 0.13%	(2)
Convention Center Project 2008A	88,840,000	0.03% to 0.54%	(3)
Total Variable Rate Debt	$ 537,980,000		

Notes on Variable Rate Terms:

(1) *Hedged, tax-exempt variable rate debt*: An interest rate swap with a notional amount of $611,525,000 commenced for the Stadium Lease Appropriation Bonds, Series 2005A and 2007A, on August 15, 2008 with IFA receiving the Securities Industry and Financial Markets Association Municipal Swap Index ("SIFMA") and paying the swap counterparties a fixed rate of 4.231%. On May 21, 2015, a swap with a notional amount of $269,071,000 was terminated. Due to the termination, $269,035,000 of the VRDO's were called and mostly refunded with the Series 2015A traditional fixed rate bonds in a par amount of $296,530,000. With the reductions of VRDO's, IFA terminated Standby Purchase Agreements in the amount of $269,035,000. The purchase price of tendered

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

but not remarketed 2005 and 2007 Bonds is payable from Standby Bond Purchase Agreements (the "SBPAs"), and Direct Purchase (the "DP's") in an aggregate amount of $343,630,710, expiring February 3, 2017– September 28, 2018. The bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2005A and 2007A bonds are subject to optional redemption by IFA, in whole or in part, in authorized denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2005A and 2007A bonds for the fiscal year was 0.26%.

(2) *Partially hedged, tax-exempt variable rate debt*: An interest rate swap with a original notional amount of $46,875,000 commenced for the Stadium Lease Appropriation Bonds, Series 2008A, on August 15, 2008 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 3.796%. The purchase price of tendered but not remarketed 2008A bonds is payable from a Liquidity Facility in the original amount of $37,763,853, which expires February 1, 2035. The 2008A bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A bonds are subject to optional redemption by IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A bonds for the fiscal year was 0.04%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A bonds is 4.27%.

(3) *Partially hedged, tax-exempt variable rate debt*: An interest rate swap with a notional amount of $98,114,750 commenced for the Convention Center Lease Appropriation Bonds, Series 2008A, on December 1, 2010 with IFA receiving SIFMA and paying the swap counterparties a fixed rate of 4.556%. The swap was terminated on May 21, 2015. VRDO's, with a par amount of $31,160,000, were called and replaced with Series 2015A with a par amount of $44,170,000. The purchase price of tendered but not remarketed 2008A bonds is payable from a Direct Purchase and a SBPA in the amount of $89,453,768, expiring February 3, 2016 – April 1, 2017. The 2008A bonds are payable solely from and secured by a pledge of the trustee of the trust estate. The trust estate includes payments made by the Building Authority, pursuant to the promissory note; all monies are obligated to be paid under the revenue deposit agreement, the lease, and the sublease. The 2008A bonds are subject to optional redemption by IFA, in whole or in part, in Authorized Denominations on any business date, at amounts equal to 100% of the principal amount redeemed plus interest accrued to the redemption date. The average interest rate on the 2008A bonds for the fiscal year was 0.25%. Going forward, the budgeted interest rate on the unhedged portion of the 2008A bonds is 4.27%.

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Self-Liquidity Program

IFA maintains a self-liquidity program that pays the purchase price of 2008A Lease Appropriation Bonds (Stadium Project) that have been tendered and not remarketed. As of June 30, 2015, the sub-series has an outstanding balance of $35,325,000. The aggregate amount payable by IFA will not exceed the sum of the principal balance outstanding plus an amount equal to 37 days' interest on the principal balance outstanding. As of June 30, 2015, the aggregate amount payable on the sub-series will not exceed $35,754,707.

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements: In order to protect against the potential of rising interest rates, IFA entered into separate pay-fixed, receive-variable interest rate swap agreements with Goldman Sachs Bank USA ("Goldman Swap") and the Bank of New York Mellon ("Bank of New York Mellon Swap") and two separate pay-fixed, receive variable interest rate swap agreements with JP Morgan Chase Bank ("JPMorgan Swap" and together with the Goldman Swap and the Bank of New York Mellon Swap, the "Swaps"). The Swaps were entered into as cash flow hedges.

Terms, fair values, and credit risk. Fair values are based on quotes provided by the applicable swap counterparty. Changes in the fair value of the swap agreements are reported in the Statement of Net Position as noncurrent assets and liabilities. The notional amounts of the swaps match the anticipated principal amounts of the associated debt. No cash was received or paid on the date the swap agreements were initiated. IFA's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximate scheduled or anticipated reductions in the associated "bonds payable" category. The terms, fair values, and credit ratings of the outstanding swaps as of June 30, 2015, were as follows:

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Value at June 30, 2014 [1]	Increase/ (Decrease)[1]	Fair Values at June 30, 2015[1]	Swap Termination Date
2005/2007 Stadium Project[2]	$ 342,454,000	8/15/2008	4.231%	SIFMA[3]	$ (130,618,329)	$ 36,973,076	$ (93,645,253)	2/1/2037
2008 Stadium Project	28,735,000	8/15/2008	3.796%	SIFMA[3]	(4,307,582)	(1,592,069)	(5,899,651)	2/1/2035
Convention Center*	98,114,750	12/1/2010	4.556%	SIFMA[3]	(26,952,695)	26,952,695	-	
	$ 469,303,750				$ (161,878,606)	$ 62,333,702	$ (99,544,904)	

[1] Negative signifies a value in favor of the counterparty.
[2] Includes one swap with one counterparty after terminating the other counterparty in May 2015
[3] The Securities Industry and Financial Markets Association Municipal Swap Index.
* Convention Center swap terminated on May 21, 2015

The change in fair value is classified as deferred outflows of resources on the statement of net position for all outstanding swaps noted above.

(Continued)

NOTE 7 – LONG-TERM DEBT ACTIVITY (Continued)

Credit Risk. Moody's Investors Service ("Moody's") rated JPMorgan Chase Bank AA3, Goldman Sachs Bank USA A2, and The Bank of New York Mellon AA3. Standard & Poor's (S&P) rated JPMorgan Chase Bank A+, Goldman Sachs Bank USA A, and The Bank of New York Mellon A+. IFA is exposed to credit risk when any of the Swaps have a fair value in favor of IFA or a positive market price. To minimize its exposure to loss related to credit risk, IFA requires the swap counterparties to post collateral if the fair value is greater than a threshold amount specified in the respective swap agreements. The threshold amount in each of the swap agreements is adjusted lower following a downgrade by Moody's or S&P of the applicable counterparty's rating.

Termination Risk. IFA or the counterparties may terminate the Swaps if the other party fails to perform under the terms of the contract (as defined by the individual swap agreements). If at the time of termination the Swaps have a positive fair value, the counterparties would be liable to IFA for a payment equal to the fair value.

(Continued)

NOTE 8 – BOND REFUNDINGS AND ESCROW BALANCES ON BONDS

IFA analyzes its various bond issues to determine if any opportunities exist for debt service savings through the refinancing of long-term debt. IFA had refunding and defeasance activity as reported below. In addition, current period and previous refundings and defeasances had remaining bonds outstanding paid from escrow accounts that are not included in IFA financial records based on accounting guidance.

Bond Refundings and Defeasances: The following represents bond refunding and defeasance during the year ended June 30, 2015:

Business-Type Activities:

- **State Revolving Fund Programs:**
  On March 19, 2015, IFA issued $139,715,000 of State Revolving Fund Program Refunding Bonds refunding a portion of the Series 2007B, 2007B, 2009A, 2012B bonds. The refunding was undertaken to reduce total future debt service payments. The proceeds were deposited in an escrow fund, which will pay principal and interest for the defeased debt. As a result of the refunding, an economic gain, or net present value savings, of $17.4 million was realized.

  On April 27, 2015, IFA cash defeased in advance of their stated maturity dates the Series 2005A bonds. A cash deposit of $92,276,367 was made to an escrow fund, which will pay principal and interest for the defeased debt totaling $93,282,313.

Escrow Balances on Refunded and Defeased Bonds: IFA has the following bond issues that have been refunded, but have remaining principal balances to be paid by escrow agents' accounts. The refunded bonds are not reported as a debt of IFA since payment of principal and interest are from escrowed funds and investment earnings. Activity includes:

Governmental Activities:

- **State Office Building Commission** – IFA issued Facilities Revenue Refunding Bonds, Series 2003 C and D bonds, which were used to refund certain Series 1995 A and B bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2004 A, B, and C bonds, which were used to refund certain Series 1999A, 2002A, and 2003A bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2009 A and B bonds, which were used to refund certain Series 1999A bonds. IFA issued Facilities Revenue Refunding Bonds, Series 2011 A, B, and C bonds, which were used to refund certain Series 2002A, 2003A and B bonds. IFA issued Facilities Revenue Refunding Bonds Series 2012 E, F, G, and H, which were used to refund certain Series 2002A and 2003A bonds. IFA issued Facilities Revenue Refunding Bonds Series 2012A, B, and C, which were used to refund certain Series 2003B, 2004D, and 2004E bonds. At June 30, 2015, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $396,665,000.

NOTE 8 – BOND REFUNDINGS AND ESCROW BALANCES ON BONDS (Continued)

Business-Type Activities:

- **State Revolving Fund** – IFA issued Series 2012A Refunding Bonds, which were used to refund certain maturities of Series 2001A, 2004B and C bonds. IFA issued Series 2010C Refunding Bonds, which were used to refund certain maturities of Series 2001A, 2002B, and 2004B bonds. Series 2010A Refunding Bonds were issued and used to refund certain Series 2000B, 2001A, 2002B, 2004B, and C bonds. In February 2013, IFA issued Refunding Bonds, which were used to refund portions of the Series 2005A, 2006A, and B bonds. In April 2014, IFA issued Refunding Bonds, which were used to refund portions of the Series 2006B, 2007A and 2007B bonds. At June 30, 2015, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $563,085,000.

- **Indiana Toll Road Lease Fund** - In 1985, IFA issued $256,970,000 of Indiana Toll Road Revenue Refunding Bonds, Series 1985, to refund the Indiana Toll Road Bonds, 1980 Series. At June 30, 2015, the amount of defeased debt still outstanding, but no longer considered long-term debt, was $107,965,000.

Conduit Debt Obligations: IFA is authorized by law to issue conduit and certain other types of revenue bonds to finance projects that serve Indiana public purposes outlined by statute. Except as described below, IFA's revenue bonds are payable solely from revenues of IFA specifically pledged thereto. The bonds are not in any respect a general obligation of IFA or the State, nor are they payable in any manner from revenues raised by taxation. IFA has no power to levy taxes. Pursuant to this authority, IFA has issued numerous revenue bonds.

IFA has issued debt obligations on behalf of certain manufacturers, utilities, 503c organizations, health and higher education facilities for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes, and other obligations and the interest thereof do not constitute debt or liability of IFA, the State, or any political subdivision thereof, but are special obligations between investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2015, IFA has outstanding conduit debt of $13.305 billion.

(Continued)

NOTE 9 - OPERATING LEASE COMMITMENTS

IFA has the following operating lessee and lessor agreements:

Lessee – Governmental Activities

- **General Fund** - IFA currently leases office space pursuant to a non-cancelable operating lease expiring in March 2021. The future total minimum rental payments, totaling approximately $1,440,000 range from $228,000 to $252,000 per year from 2016 through 2021. Rental expense for the operating lease was approximately $198,000 for the year ended June 30, 2015.

Lessor – Governmental Activities

- **State Office Building Commission** – Operating lease activity included:

  - The Commission leases state facilities to the Indiana Department of Administration based on use and occupancy agreements. The annual lease terms provide for renewals through supplement agreements. The lease rental payments are based on administrative costs, aggregate debt service requirements on related long-term debt, debt service reserve requirements, and replacement reserve for maintenance and improvements of facilities. During the year ended June 30, 2015, lease revenue of approximately $45 million was recognized.

  - In March of 1995, the Commission entered into a twenty-five year land lease agreement with the White River State Park Development Commission (WRSPDC) to lease a portion of the White River State Park for $1 per year while providing in excess of $15,000,000 of infrastructure improvements.

  - On April 14, 1998, the Commission purchased the IMAX Theatre building and land in White River State Park from the State for $10,000,000. Additionally, the Commission entered into a one hundred-year land lease agreement to lease certain real estate surrounding the IMAX Theatre building from the State for $1 per year. This real estate was required to be used to construct the Indiana State Museum and a parking garage.

(Continued)

NOTE 9 - OPERATING LEASE COMMITMENTS (Continued)

Lessor – Business-Type Activities

- **Indiana Toll Road Project** - On June 29, 2006, the Indiana Toll Road was leased for approximately $3.765 billion and a term of 75 years to the ITRCC. The entire amount was paid up front and there are no additional lease payments due for the remainder of the term of the lease. IFA recorded the transaction as an operating lease and recorded the payment as deferred revenue. Lease rental revenue net of related costs, totaling $3.705 billion, will be recognized on a straight-line basis over the life of the 75-year lease. The unamortized portion of this revenue (in thousands) will be recognized as follows for the fiscal years ending June 30:

2016	$ 49,396
2017	49,396
2018	49,396
2019	49,396
2020	49,396
2021- 2025	246,977
2026 - 2030	246,977
2031 - 2035	246,977
2036 - 2040	246,977
2041 - 2045	246,977
2046 - 2050	246,977
2051 - 2055	246,978
2056 - 2060	246,978
2061 - 2065	246,978
2066 - 2070	246,978
2077 - 2075	246,978
2076 - 2080	246,978
2081	49,396
Total	$ 3,260,106

NOTE 9 - OPERATING LEASE COMMITMENTS (Continued)

- **Recreational Development Commission -** The Recreational Development Commission (the Commission) leases various facilities to the Department of Natural Resources (DNR) that were constructed or renovated using bond issue proceeds. The lease is subject to the terms of the Master Use and Occupancy Agreement dated March 1, 1994, and is accounted for as an operating lease.

  Although the initial agreement terminated on June 30, 1995, both parties have extended the term of this agreement until June 30, 2026. The Commission and the DNR have the right to extend the term of the agreement from biennium to biennium. The Commission and the DNR are deemed to have exercised this right to extend. The term of the Master Use and Occupancy Agreement is extended, for each successive biennium, unless either the Commission or the DNR delivers written notice of non-extension to the other party not less than three months prior to the last day of any biennium, in which event the Master Use and Occupancy Agreement will terminate on the last day of such biennium.

  Minimum aggregate annual lease payments under the facilities leases are as follows for the fiscal years ending June 30:

2016	$ 3,556,422
2017	3,601,212
2018	3,646,475
2019	2,882,430
2020	3,530,250
2021 - 2025	6,814,250
Total	$ 24,031,039

NOTE 10 - INTERFUND LOANS RECEIVABLE AND PAYABLE

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund. To the extent that certain transactions between funds are not paid or received in the current period, net interfund receivable and payable balances are recorded at June 30, 2015, as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 412,774	$ 350,000
Government Funds:		
Transportation Finance General	-	84,777
State Office Building Commission	-	87,511
Special Revenue Funds:		
Conduit Debt General Program Fund	-	30,082
Environmental Remediation Revolving Loan Fund	-	380,780
Petroleum Remediation Grant Incentive Fund	322,611	-
Enterprise Funds:		
State Revolving Fund	-	169,448
Recreational Development Commission	-	8,204
Toll Road Lease Fund	-	422
Supplemental Fund	64,253	-
Indiana Health & Education Facility Finance Authority	350,000	38,414
	$ 1,149,638	$ 1,149,638

NOTE 11 – POLLUTION REMEDIATION

As part of the lease agreement with the ITRCC, IFA agreed to retain liability for sites along the Toll Road previously identified as being contaminated. IFA has contracted to clean up these sites and has recognized the $1,750,000 remaining on the contract. In addition, IFA agreed to accept liability for any undiscovered sites that may be found in the future that originated or were caused by actions taken during the time prior to the Toll Road lease. Contaminated sites were found during the construction of the mandatory expansion projects required by the 2006 Toll Road Lease Agreement and remediation cost of $10,500,000 was recognized. Other potential sites have been identified but no assessment has been made to determine whether IFA has any liability and therefore no estimate of the cost of remediation is available.

NOTE 12 - BENEFIT PLANS

Plan Description

IFA contributes to the Public Employees' Retirement Fund (PERF), which is administered by INPRS. As part of the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB No. 25* (GASB No. 67), PERF changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013, based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. The PERF ASA Only Plan members are full-time employees of the State (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013; were members of the PERF Hybrid Plan or (2) on or after March 1, 2013, do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the PERF ASA Only Plan and must offer eligible employees the PERF ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the PERF ASA Only Plan as an option to their employees. Since inception, 395 members have selected the PERF ASA Only Plan, or approximately 9 percent of eligible new hires of the State.

NOTE 12 - BENEFIT PLANS (Continued)

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their ASA. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are individually directed and controlled by plan participants who direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

Retirement Benefits – Defined Benefit Pension

The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to $2,000 are included as part of the member's annual compensation.

NOTE 12 - BENEFIT PLANS (Continued)

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2014; however, eligible members received a one-time check (a.k.a. 13th check) in September 2013. The amount of the one-time check ranged from $150 to $450, depending upon a member's years of service, and was for a member who retired or was disabled on or before December 1, 2012, and who was entitled to receive a monthly benefit on July 1, 2013.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is $180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.inprs.in.gov/.

NOTE 12 - BENEFIT PLANS (Continued)

Significant Actuarial Assumptions

The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date – June 30, 2014

Liability valuation date – June 30, 2013 – Member census data as of June 30, 2013 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2013 and June 30, 2014. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2013 to June 30, 2014.

Actuarial cost method – Entry age normal (level percent of payroll)

Experience study date – Period of 5 years ended June 30, 2010

Investment rate of return – 6.75%

COLA – 1.0%

Future salary increases, including inflation – 3.25% - 4.5%

Inflation – 3.0%

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 12 - BENEFIT PLANS (Continued)

	Target Asset Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.5%	6.0%
Private Equity	10.0%	7.7%
Fixed Income – ExInflation-Linked	22.0%	2.1%
Fixed Income – Inflation-Linked	10.0%	0.5%
Commodities	8.0%	2.5%
Real Estate	7.5%	3.9%
Absolute Return	10.0%	1.8%
Risk Parity	10.0%	4.3%

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$ 1,596,791	$ 994,673	$ 484,524

Investment Valuation and Benefit Payment Policies

The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTE 12 - BENEFIT PLANS (Continued)

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

NOTE 12 - BENEFIT PLANS (Continued)

Funding Policy

The State is obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During fiscal year 2014, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 9.7 percent was required from employers during the period of July 1 – December 31, 2013, and an average contribution rate of 11.0 percent was required for the period of January 1 – June 30, 2014. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less that 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for fiscal year 2014, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, IFA reported a liability of $994,673 for its proportionate share of the net pension liability. IFA's proportionate share of the net pension liability was based on IFA's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2014 measurement date was 0.03785%.

NOTE 12 - BENEFIT PLANS (Continued)

For the year ended June 30, 2015, IFA recognized pension expense of $134,419, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $42,113. At June 30, 2015, the IEDC reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		$ 4,463
Net difference between projected and actual earnings on pension plan investments		193,308
Changes in proportion and differences between District contributions and proportionate share of contributions	$147,396	
Total that will be recognized in pension expense (income) based on table below	147,396	197,771
Pension contributions subsequent to measurement date	237,262	
Total	$384,658	$197,771

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2015	$ (7,489)
2016	(7,489)
2017	(7,489)
2018	(27,908)
	$(50,375)

NOTE 13 – SUBSEQUENT EVENT

The following subsequent events has been provided for users of the financial statements. The subsequent event did not result in changes to the financial statements at June 30, 2015.

Business-Type Activities

On July 24, 2015, IFA issued $92.8 million Lease Appropriation Bonds (Motorsports Improvement Project), Series 2015C (federally taxable) to fund improvements at the Indianapolis Motor Speedway.

PART 3 - REQUIRED SUPPLEMENTARY INFORMATION

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET – CASH BASIS (UNAUDITED)
For the year ended June 30, 2015

Budget Basis of Accounting: IFA's budget process is based on a modified cash basis and accounts for certain transactions on a basis other than GAAP. The most significant differences between the budget basis and the GAAP basis are the manner in which revenues and expenses are recorded. Under the modified cash budget basis, the portion of lease rental income apportioned to principal payments is recorded as revenue and the debt service expense portion related to principal is recorded as expense. For government wide reporting, the portion attributable to principal on capital lease assets and bonds payable are reflected as changes in assets and liabilities in the balance sheet funds and statement of net position.

The following table shows budget and actual financial results reported under the budgetary basis of accounting.

	Budget Total	Actual Total	Difference
Revenue			
Lease rental income (Note 1)	$ 225,093,386	$ 431,879,431	$ 206,786,045
Appropriations	1,500,000	1,500,000	-
Investment income (Note 2)	6,695,559	7,016,371	320,812
Program service, advisory and fees (Note 3)	1,803,555	3,381,156	1,577,601
Borrower interest payments (Note 4)	54,954,807	56,540,307	1,585,500
EPA Grant (Note 5)	53,858,543	53,344,882	(513,661)
Total revenues	343,905,850	553,662,147	209,756,297
Debt service			
Interest (Note 6)	190,446,478	212,983,776	(22,537,298)
Principal (Note 7)	149,125,000	233,390,000	(84,265,000)
Total debt service	339,571,478	446,373,776	(106,802,298)
Program expenses			
Grants, loans and other program (Note 8)	10,117,983	9,266,678	851,305
Total program expenses	10,117,983	9,266,678	851,305
Administrative expenses			
Personal services (Note 9)	2,967,697	2,944,020	23,677
Other IFA operations (Note 10)	4,203,932	4,040,086	163,846
Total administrative expenses	7,171,629	6,984,106	187,523
Net revenues over expenses	$ (12,955,240)	$ 91,037,587	$ 103,992,827

(Continued)

INDIANA FINANCE AUTHORITY
SCHEDULE OF ACTUAL OPERATING REVENUES AND EXPENSES
COMPARED TO BUDGET – CASH BASIS (UNAUDITED)
For the year ended June 30, 2015

Note 1: Program methodology change after the budget creation & swap termination.

Note 2: Positive investment mark to market valuations resulted in unrealized gains.

Note 3: Unpredictable special environmental project contributions

Note 4: Early receipts of Wastewater and Drinking Water July interest payments.

Note 5: Less grants than anticipated.

Note 6: Swap termination.

Note 7: Defeasance.

Note 8: Less grants than anticipated.

Note 9: Open staff positions.

Note 10: Decreased legal expenses.

CONDITION RATING OF THE INDIANA TOLL ROAD PROJECT'S HIGHWAYS AND BRIDGES

Roads

	Percentage of Lane Miles in Fair, Good or Excellent Condition		
	2015	2014	2013
Interstate Roads	100%	100%	100%

	Percentage of Lane Miles in Substandard Condition		
	2015	2014	2013
Interstate Roads	0%	0%	0%

The condition of road pavement is measured using a pavement quality index (PQI), which is based on a weighted average of six distress factors found in pavement surfaces. The PQI uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 100 for a pavement in perfect condition. The condition index is used to classify roads in fair, good or excellent condition (70-100), and substandard condition (less than 70). It is the State's policy to maintain at least 80% of its road system at a fair, good or excellent condition level. No more than 10% should be in substandard condition. Condition assessments are determined every year.

Bridges

	Average Sufficiency Rating of Bridges		
	2015	2014	2013
Interstate Bridges	84.7%	84.7%	83.8%

The average sufficiency rating of the State's bridges is determined using the formula and guidelines provided by Federal Highway Administration. The bridge average sufficiency rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical sufficiency rating ranging from 0.0% (impaired or load restricted) to 100% (new). It is the State's goal to maintain an average bridge sufficiency rating of 85%. All bridges are inspected every two years.

INDIANA FINANCE AUTHORITY
SCHEDULE OF IFA'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years*

	2014
IFA's proportion of the net pension liability	0.03785%
IFA's proportionate share of the net pension liability	$ 994,673
IFA's covered-employee payroll	$ 1,847,973
IFA's proportionate share of the net pension liability	53.83%
Plan fiduciary net position as a percentage of the total pension liability	84.30%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014 for GASB Statement No. 68 purposes.

INDIANA FINANCE AUTHORITY
SCHEDULE OF IFA CONTRIBUTIONS (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years*

	2014
Contractually required contribution	$ 206,974
Contributions in relation to the contractually required contribution	$ 206,974
Contribution deficiency	$ -
IFA's covered-employee payroll	$ 1,847,973
Contributions as a percentage of covered-employee payroll	11.20%

*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2014 for GASB Statement No. 68 purposes.

PART 4 - OTHER SUPPLEMENTARY INFORMATION

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF NET POSITION
June 30, 2015

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Assets										
Current assets	$ 789,402,882	$ 7,011,589	$ 2,412,130	$ 25,370,764	$ 2,548,330	$ -	$ 259,951,857	$ 164,936,745	$ 102,351,083	$ 19,952,106
Capital and infrastructure assets	460,430	27,439,855	-	-	-	-	337,335,409	25,000,000	-	-
Noncurrent assets	2,006,588,157	-	67,726,185	53,270,000	1,680,000	-	26,637,566	-	966,078,709	972,111,687
Total Assets	2,796,451,469	34,451,444	70,138,315	78,640,764	4,228,330	-	623,924,832	189,936,745	1,068,429,792	992,063,793
Deferred Outflows of Resources										
Deferred swap termination										81,766,783
Loss (gain) on debt refunding	35,149,971	672,904	-	-	(3,496)	-	6,246,889	-	16,709,961	-
Accumulated decrease in fair value of hedging derivatives	-	-	-	-	-	-	-	-	-	99,544,904
Total deferred outflows of resources	35,149,971	672,904	-	-	(3,496)	-	6,246,889	-	16,709,961	181,311,687
Liabilities										
Current liabilities	27,040,808	1,388,577	1,361,994	585,667	37,950	-	105,000,999	10,902,808	3,833,955	10,113,616
Long term debt, including current portions	1,523,914,047	24,591,069	66,247,295	70,280,000	2,480,000	-	270,840,561	-	1,020,878,709	1,063,716,960
Other noncurrent liabilities	2,102,210	-	-	-	-	-	-	-	-	99,544,904
Total Liabilities	1,553,057,065	25,979,646	67,609,289	70,865,667	2,517,950	-	375,841,560	10,902,808	1,024,712,664	1,173,375,480
Net Position										
Net investment in capital assets	-	-	-	-	-	-	72,248,700	-	-	-
Unrestricted	2	9,144,702	-	(369,159)	868,511	-	69,920,055	-	14,955,069	-
Restricted	1,278,544,373	-	2,529,026	8,144,256	838,373	-	112,161,406	179,033,937	45,472,020	-
Total Net Position	$ 1,278,544,375	$ 9,144,702	$ 2,529,026	$ 7,775,097	$ 1,706,884	$ -	$ 254,330,161	$ 179,033,937	$ 60,427,089	$ -

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2015

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Operating Revenues										
Lease rental	$ -	$ 3,501,332	$ 936,350	$ 4,128,663	$ 343,682	$ -	$ 44,616,452	$ 179,000,000	$ 56,598,548	$ 70,593,387
Interest on loans	56,210,767	-	-	-	-	-	-	-	-	-
Other	772,171	796,822	53,239	-	-	-	2,474,614	-	-	-
Total Operating Revenues	56,982,938	4,298,154	989,589	4,128,663	343,682	-	47,091,066	179,000,000	56,598,548	70,593,387
Operating Expenses										
IFA Operations	4,782,506	356,934	185,272	-	92,832	-	2,069,103	-	370,633	568,295
Interest expense	68,247,356	1,202,313	76,350	3,791,333	72,473	-	13,047,591	-	53,692,041	71,272,653
Depreciation and bond issuance costs	1,682,111	1,986,886	-	-	-	-	13,403,002	-	-	2,852,437
Total Operating Expenses	74,711,973	3,546,133	261,622	3,791,333	165,305	-	28,519,696	-	54,062,674	74,693,385
Operating Income (Loss)	(17,729,035)	752,021	727,967	337,330	178,377	-	18,571,370	179,000,000	2,535,874	(4,099,998)
Nonoperating Revenues (Expenses)										
Investment earnings, net	6,570,897	(3,519)	4,251	981	(1,487)	-	75,165	19,595	7,916	-
Total nonoperating revenues (expenses)	6,570,897	(3,519)	4,251	981	(1,487)	-	75,165	19,595	7,916	-
Income Before Capital Contributions and Transfers	(11,158,138)	748,502	732,218	338,311	176,890	-	18,646,535	179,019,595	2,543,790	(4,099,998)
Capital contributions	47,607,436	-	-	-	-	-	10	-	-	4,099,998
Loan forgiveness	(3,186,513)	-	-	-	-	-	-	-	-	-
Transfer in (out)	-	-	-	(102,601)	(102,601)	(9,080)	(6,580)	-	(267,656)	-
Change in Net Position	33,262,785	748,502	732,218	235,710	74,289	(9,080)	18,639,965	179,019,595	2,276,134	-
Total net position, beginning of year	1,245,281,590	8,396,200	1,796,808	7,539,387	1,632,595	9,080	235,690,196	14,342	58,150,955	-
Total net position, end of year	$ 1,278,544,375	$ 9,144,702	$ 2,529,026	$ 7,775,097	$ 1,706,884	$ -	$ 254,330,161	$ 179,033,937	$ 60,427,089	$ -

INDIANA FINANCE AUTHORITY
SEGMENT REPORTING
STATEMENT OF CASH FLOWS
For the year ended June 30, 2015

	Business-Type Activities						Governmental Activities			
	State Revolving Fund	Recreational Development Commission	State Fair Fund	Airport Facilities Fund	Aviation Technology Center Fund	Indiana Toll Road Project Fund	State Office Building Commission	Public Private Partnerships	Highway Revenue Bonds	Stadium and Convention Center Financing
Net Cash Provided (Used) By:										
Operating activities	$ (1,925,280)	$ 4,638,798	$ (1,660,827)	$ 4,026,062	$ 148,249	$ -	$ 42,714,210	$ 72,686,297	$ 55,960,259	$ 69,373,427
Investing activities	150,001,798	(1,279,077)	(997,724)	908	(1,502)	-	364,107	(24,979,150)	7,350	(41,045,000)
Noncapital financing activities	(163,323,602)	-	-	-	-	-	-	-	-	-
Capital and related financing activities	44,765,583	(3,910,563)	(1,324,228)	(3,929,999)	(87,601)	-	(42,468,461)	-	(51,778,128)	(28,328,427)
Net Increase (Decrease) in Cash	29,518,499	(550,842)	(3,982,779)	96,971	59,146	-	609,856	47,707,147	4,189,481	-
Cash and cash equivalents, beginning	549,025,069	7,562,235	6,209,451	8,263,515	1,689,125	-	249,098,124	117,229,528	43,359,969	-
Cash and cash equivalents, ending	$ 578,543,568	$ 7,011,393	$ 2,226,672	$ 8,360,486	$ 1,748,271	$ -	$ 249,707,980	$ 164,936,675	$ 47,549,450	$ -