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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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February 3, 2016

Board of Directors
Fort Harrison Reuse Authority
9120 Otis Avenue
Indianapolis, IN 46216

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Fort Harrison Reuse Authority, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

FORT HARRISON
Reuse Authority

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2014 and 2013

KATZ
SAPPER
& MILLER

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FORT HARRISON REUSE AUTHORITY

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KATZ SAPPER & MILLER

Our People: Your Success

Independent Auditors' Report

Board of Directors
Fort Harrison Reuse Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Harrison Reuse Authority, which comprise the statements of net position as of December 31, 2014 and 2013, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Katz, Sapper & Miller, LLP
Certified Public Accountants
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Indianapolis, IN 46240
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An Affiliate of
KSM Business Services, Inc.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Harrison Reuse Authority as of December 31, 2014 and 2013, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

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 8 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2015, on our consideration of Fort Harrison Reuse Authority'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 Fort Harrison Reuse Authority's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
July 14, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
December 31, 2014 and 2013

Introduction

The management of the Fort Harrison Reuse Authority (the Authority), which is a governmental entity located in the City of Lawrence, Indiana and Marion County-Indianapolis, Indiana, offers the readers of the Authority's financial statements this narrative overview and analysis of financial activities for the calendar years ended December 31, 2014 and 2013. The Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements and to meet the requirements of the Governmental Accounting Standards Board (GASB).

The Authority was created to redevelop property that was formerly the Fort Benjamin Harrison United States Army Military Base (Fort Harrison). The goal in doing so is to replace jobs lost during base closure and to conduct activities that result in the generation of property tax through local investment. The activities of the Authority include the marketing of properties held for sale by the Authority, conducting planning and making physical improvements to property that add value to the Fort Harrison area, and promoting business development opportunities available at Fort Harrison.

Financial Highlights

Overview of Financial Statements

The financial statements of the Authority include the following for the calendar years 2014 and 2013.

- Statements of Net Position
- Statements of Revenue, Expenses and Changes in Net Position
- Statements of Cash Flows

Basis of Accounting and Financial Reporting

The financial statements consist of a single-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The net position of the Authority is comprised of three categories:

- *Net investment in capital assets* – represents the Authority's investments in capital assets (e.g. land, buildings, etc.) less any related debt used to acquire those assets that is still outstanding. The Authority uses these assets as its primary commodity to attract investment in the Fort Harrison jurisdiction. These investments add value to the overall Fort Harrison property and are recoverable through the liquidation of relevant assets.

- *Restricted for debt service* – represents annual obligations to outstanding debt issued for various improvements in the Authority's jurisdiction.

- *Unrestricted* – represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

Statements of Net Position

The statements of net position reflect the assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Authority's net position – the difference between total assets and total liabilities – represents one way to measure the Authority's financial health. In assessing the financial position of the Authority, one may additionally consider the ability of the Authority to implement its mission and take into consideration its accomplishments relevant to significant projects that impact the long-term goals of the community, more specifically the City of Lawrence, Indiana and the east side of Indianapolis.

Comparative Statements of Net Position

The comparative analysis below is a summary of the statements of net position for the years ended December 31, 2014, 2013 and 2012.

	2014	2013	2012
Current assets – unrestricted	$ 10,103,723	$ 9,880,105	$ 9,079,229
Current assets – restricted	9,866,539	12,141,700	12,658,053
Noncurrent assets	722,248	1,755,807	1,785,939
Total Assets	$ 20,692,510	$ 23,777,612	$ 23,523,221
Current liabilities – payable from unrestricted assets	$ 72,181	$ 38,909	$ 146,609
Current liabilities – payable from restricted assets	1,837,885	1,785,787	1,738,543
Noncurrent liabilities – payable from restricted assets	21,144,700	22,647,956	24,086,212
Total Liabilities	23,054,766	24,472,652	25,971,364
Net position			
Net investment in capital assets	(13,385,270)	(14,532,996)	(16,187,918)
Restricted for debt service	9,538,654	11,800,913	12,304,510
Unrestricted	1,484,360	2,037,043	1,435,265
Total Net Position	(2,362,256)	(695,040)	(2,448,143)
Total Liabilities and Net Position	$ 20,692,510	$ 23,777,612	$ 23,523,221

2014 to 2013 Comparative Statements of Net Position

Current Assets – Unrestricted increased approximately $223,000 due to two purchases and subsequent development of real estate held for sale totaling approximately $953,000, as well as approximately $982,000 increase in unrestricted cash and equivalents from the early repayment of a note receivable. These increases were partially offset by the sale of real estate held for sale with a cost basis of approximately $1.21 million and a $475,000 decrease in prepaid expenses related to the timing of the payment for the annual charge under the interlocal agreement.

Current Assets – Restricted decreased approximately $2,275,000 due to the 2014 TIF property tax receivable decreasing approximately $294,000 due to a decrease in City tax assessments, as well as a decrease of approximately $1,981,000 in cash equivalents, primarily due to the payment of the Authority's debt service.

Noncurrent Assets decreased approximately $1,033,000 from cash inflows of approximately $1,160,000 from the early repayment of a note receivable including accrued interest.

Noncurrent Liabilities decreased approximately $1,503,000 from the payment of the Authority's debt service.

2013 to 2012 Comparative Statements of Net Position

Current Assets – Unrestricted increased approximately $800,000 due to a $525,000 transfer from cash equivalents (restricted) to the operating cash account, as well as a purchase of real estate held for sale that was approximately $300,000.

Current Assets – Restricted decreased approximately $516,000 due to the 2013 TIF property tax receivable increasing approximately $266,000 from the 2012 receivable due to an increase in fall City tax assessments between the two years, as well as a decrease of approximately $782,000 in cash equivalents, partially due to transfer noted in previous section.

Current Liabilities – Payable from Unrestricted Assets decreased approximately $107,000 due to the interlocal agreement payable of $125,000 paid in 2013. No such payable existed at December 31, 2013.

Noncurrent Liabilities decreased approximately $1,438,000 from the payment of the Authority's debt service.

Comparative Statements of Revenue, Expenses and Changes in Net Position

The comparative analysis below is a summary of the statements of revenue, expenses and changes in net position for the years ended December 31, 2014, 2013 and 2012.

	2014	2013	2012
Operating Revenue			
Rental income	$ 61,060	$ 83,174	$ 92,838
Total Operating Revenue	61,060	83,174	92,838
Nonoperating Revenue			
TIF tax revenue	3,395,150	3,770,821	3,331,313
Interest income	163,199	100,000	100,000
Investment income, net of fees	1,009	1,119	1,122
Total Nonoperating Revenue	3,559,358	3,871,940	3,432,435
Total Revenue	3,620,418	3,955,114	3,525,273
Operating Expenses			
Personnel	214,102	208,380	176,091
Utilities	66,144	63,841	59,288
Office supplies and other expenses	138,877	144,490	191,674
Professional fees	187,245	239,743	117,448
Repairs and maintenance	111,794	77,576	94,191
Engineering services	80,857	53,151	16,048
Insurance	28,537	23,759	10,534
Depreciation	33,559	33,759	33,761
Total Operating Expenses	861,115	844,699	699,035
Nonperating Expenses			
Loss on real estate held for sale	3,020,371	8,375	1,804,773
Interest expense	918,148	923,937	1,020,378
Interlocal agreement	488,000	425,000	350,000
Total Nonoperating Expenses	4,426,519	1,357,312	3,175,151
Total Expenses	5,287,634	2,202,011	3,874,186
Increase (Decrease) in Net Position	(1,667,216)	1,753,103	(348,913)
Net Position, Beginning of Year	(695,040)	(2,448,143)	(2,099,230)
Net Position, End of Year	$(2,362,256)	$ (695,040)	$(2,448,143)

2014 to 2013 Comparative Statements of Revenue, Expenses and Changes in Net Position

Nonoperating Revenue decreased by approximately $313,000 primarily due to TIF revenue decreasing as a result of a change in the amount of property tax assessed.

Nonoperating Expenses increased by approximately $3,069,000 primarily due to an increase in the loss on real estate held for sale in 2014 of $3,012,000. A parcel held by the Authority with a cost basis of $1.21 million was sold during 2014 for $1 and as part of the agreement, the Authority provided developer initial funding of $1,810,000.

Operating Revenue and Expenses were comparable to 2013.

2013 to 2012 Comparative Statements of Revenue, Expenses and Changes in Net Position

Nonoperating Revenue increased by approximately $440,000 due to TIF revenue increasing as a result of a change in the amount of property tax assessed.

Operating Expenses increased by approximately $146,000 primarily due to the increase in legal expenses related to remarketing the 2000 TIF bonds as well as real estate negotiations where legal counsel was consulted, partially offset by a decrease in outside service fees due to no land sales in 2013.

Nonoperating Expenses decreased by approximately $1,818,000, due to a decrease in the loss on real estate held for sale in 2013 of $1,796,000.

Capital Assets and Debt Administration

Capital Assets

As discussed, the Authority is organized to promote and develop the former Fort Benjamin Harrison United States Army Military Base (Fort Harrison) located in Lawrence, Indiana. The Authority had initially acquired the land and buildings on the Fort Harrison property and has since developed and continued to construct infrastructure and buildings on the Lawrence Village at the Fort, which provides a park-like setting for a variety of uses. Readers are referred to Note 5 of the financial statements for more detailed information on capital asset activity.

Long-term Debt

The Authority's long-term debt is comprised of bond indebtedness, which over time has afforded the Authority the ability to acquire, construct and develop certain land, improvements and buildings on the Fort Harrison property. The bonds are payable from incremental ad valorem real property taxes levied and collected on property within the designated tax increment Allocation Area. Readers are referred to Note 6 for more detailed information on long-term debt activity.

Other Potentially Significant Matters

Fort Harrison has been recognized for its decommissioning process and, in 2000 and 2001, was honored with awards for redevelopment and leadership in redevelopment. Today, the Office of Economic Adjustment continues to direct communities facing closure to Fort Harrison in order to glean best practice information in base reuse. In 1996, the 650 acre Fort Harrison area lost 1,100 direct jobs, appraised at a negative $10 million and provided no tax revenue. In May 2005, the remaining 115 acres still owned by the Authority appraised at over $11 million. To date, more than 1,900 jobs have been created in the Authority jurisdiction since decommissioning in 1995, and more than $3 million of property tax is generated in the Reuse Area annually.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Fort Harrison Reuse Authority, 9120 Otis Avenue, Indianapolis, IN 46216.

FINANCIAL STATEMENTS

FORT HARRISON REUSE AUTHORITY

STATEMENTS OF NET POSITION
December 31, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and equivalents	$ 1,535,021	$ 553,266
Prepaid expenses and other assets	21,520	497,686
Interest receivable		25,000
Real estate held for sale	8,547,182	8,804,153
Total Unrestricted Current Assets	10,103,723	9,880,105
Restricted Current Assets:		
Cash equivalents	8,386,870	10,368,157
TIF property tax receivable	1,479,669	1,773,543
Total Restricted Current Assets	9,866,539	12,141,700
Total Current Assets	19,970,262	22,021,805
NONCURRENT ASSETS		
Note receivable		1,000,000
Nondepreciable capital assets	125,000	125,000
Depreciable capital assets, net	597,248	630,807
Total Noncurrent Assets	722,248	1,755,807
TOTAL ASSETS	$ 20,692,510	$ 23,777,612

LIABILITIES AND NET POSITION

	2014	2013
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	$ 62,218	$ 35,588
Deferred revenue	9,963	3,321
Total Payable from Unrestricted Assets	72,181	38,909
Payable from Restricted Assets:		
Accrued interest on debt	327,885	340,787
Current portion of debt	1,510,000	1,445,000
Total Payable from Restricted Assets	1,837,885	1,785,787
Total Current Liabilities	1,910,066	1,824,696
NONCURRENT LIABILITIES		
Payable from Restricted Assets:		
Bonds payable, less current portion	21,144,700	22,647,956
Total Liabilities	23,054,766	24,472,652
NET POSITION		
Net investment in capital assets	(13,385,270)	(14,532,996)
Restricted for debt service	9,538,654	11,800,913
Unrestricted	1,484,360	2,037,043
Total Net Position	(2,362,256)	(695,040)
TOTAL LIABILITIES AND NET POSITION	$20,692,510	$23,777,612

See accompanying notes.

FORT HARRISON REUSE AUTHORITY

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING REVENUE		
Rental income	$ 61,060	$ 83,174
Total Operating Revenue	61,060	83,174
OPERATING EXPENSES		
Personnel	214,102	208,380
Utilities	66,144	63,841
Office supplies and other expenses	138,877	144,490
Professional fees	187,245	239,743
Repairs and maintenance	111,794	77,576
Engineering services	80,857	53,151
Insurance	28,537	23,759
Depreciation	33,559	33,759
Total Operating Expenses	861,115	844,699
LOSS FROM OPERATIONS	(800,055)	(761,525)
NONOPERATING REVENUE (EXPENSES)		
TIF tax revenue	3,395,150	3,770,821
Interest income	163,199	100,000
Investment income, net of fees	1,009	1,119
Loss on real estate held for sale	(3,020,371)	(8,375)
Interest expense, net of capitalized interest	(918,148)	(923,937)
Interlocal agreement	(488,000)	(425,000)
Total Nonoperating Revenue (Expenses)	(867,161)	2,514,628
INCREASE (DECREASE) IN NET POSITION	(1,667,216)	1,753,103
NET POSITION		
Beginning of Year	(695,040)	(2,448,143)
End of Year	$ (2,362,256)	$ (695,040)

See accompanying notes.

FORT HARRISON REUSE AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
OPERATING ACTIVITIES		
Receipts from customers and users	$ 67,702	$ 76,532
Payments to vendors for goods and services	(581,830)	(757,668)
Payments for employees services	(214,102)	(208,380)
Net Cash Used by Operating Activities	(728,230)	(889,516)
NONCAPITAL FINANCING ACTIVITIES		
Payments to local government - Interlocal agreement	(13,000)	(425,000)
Net Cash Used by Noncapital Financing Activities	(13,000)	(425,000)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on bonds	(1,438,256)	(1,378,256)
Interest paid	(931,050)	(936,693)
Property taxes received	3,689,024	3,504,947
Acquisition and construction of capital assets		(3,627)
Acquisition and construction of real estate held for sale	(953,029)	(315,173)
Proceeds from sale of real estate held for sale	1	
Funding provided to purchaser of real estate held for sale	(1,810,372)	
Proceeds from repayment of note receivable	1,000,000	
Net Cash Provided (Used) by Capital and Related Financing Activities	(443,682)	871,198
INVESTING ACTIVITIES		
Interest income received on note receivable	184,371	75,000
Investment income received on cash equivalents	1,009	1,119
Net Cash Provided by Investing Activities	185,380	76,119
NET DECREASE IN CASH AND EQUIVALENTS	(999,532)	(367,199)
CASH AND EQUIVALENTS		
Beginning of Year	10,921,423	11,288,622
End of Year	$ 9,921,891	$ 10,921,423
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Loss from operations	$ (800,055)	$ (761,525)
Depreciation expense	33,559	33,759
Bad debt expense	3,828	
(Increase) decrease in prepaid expenses	1,166	(54,050)
Increase (decrease) in deferred revenue	6,642	(6,642)
Increase (decrease) in accounts payable	26,630	(101,058)
Net Cash Used by Operating Activities	$ (728,230)	$ (889,516)
Noncash Capital and Related Financing Activities:		
Loss on sale of real estate held for sale, excludes funding provided to purchaser	$ (1,209,999)	
Loss on adjustment of real estate held for sale to fair market value		$ (8,375)

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Fort Harrison Reuse Authority (the Authority) was established on May 1, 1995, by Indiana Code, Section 36-7-30. Based in Indianapolis, the Authority's primary purpose is to promote and develop the former Fort Benjamin Harrison United States Army Military Base (Fort Harrison) located in Lawrence, Indiana. The Authority will remain in operation until it has completed the Reuse Plan for Fort Harrison. The principal goals of the Reuse Plan are the preservation of the natural and historical resources, job creation and economic development.

The Authority also serves as the governing body of the Fort Harrison Military Base Reuse District, a special taxing district, which provides for the planning, replanning, development, redevelopment and preparation for reuse of Fort Harrison.

Basis of Accounting and Financial Reporting: The financial statements consist of a single-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Authority prepares its financial statements in conformity with accounting principles generally accepted in the United States as applied to governmental units. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority follows GASB pronouncements as codified under GASB Statement No. 62.

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

Cash and Equivalents include cash, money market mutual funds, and other highly liquid instruments with original maturities of three months or less. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Authority has not experienced any losses in such accounts.

Property Taxes Receivable: A special property tax assessment is made on properties in the Fort Harrison Reuse Area for the purpose of retiring the Authority's TIF revenue bonds. Property taxes are collected and remitted to the Authority by Marion County and the City of Lawrence, Indiana. Taxes are levied annually on March 1 and are due on May 10 and November 10 one year later. Major tax payments are received in July and January and are accrued as revenue in the year they are levied. No allowance has been made for uncollectible taxes.

Allowance for Losses on Real Estate: Valuation allowances are provided for real estate held for sale when the net realizable value of the property is less than its cost. Additions to the allowance are recorded as expense in the year the loss amounts are estimated. In 2014, the Authority did not have a loss on real estate held for sale due to changes in the fair values of the assets. In 2013, the Authority recorded a loss on real estate held for sale of $8,375 due to appraised values being lower than cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets: Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	15 to 39
Office equipment	5 to 7

Interest costs incurred on property held for sale are expensed in the period incurred. Maintenance and repairs are expensed as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenue and expenses.

Interest incurred during construction, renovation and/or remediation periods is capitalized and included in the cost of property and equipment. The Authority capitalizes interest costs of borrowings specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowings. Total interest incurred each year was:

	2014	2013
Interest costs charged to expense	$918,148	$923,937
Total interest incurred	$918,148	$923,937

Environmental Remediation: The United States Department of Defense is responsible for environmental remediation of designated areas within Fort Harrison. Remediation is completed before property is deeded to the Authority. Therefore, no significant accruals are considered necessary for any environmental remediation issues.

Rental Income: All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is recognized as it becomes receivable over the respective lease terms.

Revenue and Expense and Net Position Recognition: Revenue from tenants is reported as operating revenue. Operating expenses include the cost of administering the Authority, including depreciation. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted net position are available for use, it is the Authority's policy to use restricted net position first, then unrestricted net position as it is needed.

Annual Budget: The Authority is not legally required to prepare and adopt an annual budget.

Income Tax Status: Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.

Subsequent Events: The Authority has evaluated the financial statements for subsequent events occurring through July 14, 2015, the date the financial statements were available to be issued. See Note 12.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The financial institution holding the Authority's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Pursuant to further legislation enacted in 2014, the FDIC will continue to fully insure $250,000 for all transaction accounts at all FDIC-insured institutions.

Any cash deposits in excess of the FDIC limits described above are insured by the Indiana Public Deposits Insurance Fund (Fund). The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Investments: Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government Agency securities, certificates of deposit and open-end money market mutual funds.

At December 31, 2014 and 2013, the Authority had $8,386,870 and $10,368,157 of investment securities, all of which were money market mutual funds and classified as cash equivalents.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds are presented as cash equivalents because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2014 and 2013, the Authority's money market mutual funds were rated AAA by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2014 and 2013, as their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in any one issuer. The following shows investments in issuers that represent 5% or more of the total investments at December 31, 2014:

Bank of New York Cash Reserve Money Market Fund	88.10%
Dreyfus Treasury & Agency Cash Management 598 Money Market Fund	11.90%

Foreign Currency Risk - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES (CONTINUED)

Summary of Carrying Values - Cash and equivalents included in the statements of net position are classified as follows:

	2014	**2013**
Cash and equivalents:		
Current - unrestricted	$1,535,021	$ 553,266
Current - restricted	8,386,870	10,368,157
	$9,921,891	$10,921,423

Cash and equivalents are restricted as follows:

	2014	**2013**
Investment Surplus Fund 2000 Bonds	$ 512,623	$ 1,253,148
Investment Revenue Fund 2000 Bonds	5,529,977	6,770,973
Investment Main Reserve Fund 2000 Bonds	600,967	600,907
Bond Reserve Fund 2006 Bonds	997,832	997,733
Bond Reserve Fund 2009 Bonds	745,471	745,396
	$8,386,870	$10,368,157

NOTE 3 - NOTE RECEIVABLE

A parcel of land held for sale was sold on September 2, 2011 for $1,126,111. With this sale, the Authority received $126,111 and financed the remaining $1,000,000 with a note receivable from the buyer. The terms included quarterly interest payments of 10% beginning on October 1, 2011 with the principal balance of the note and any accrued unpaid interest being due September 1, 2016. This note was fully repaid during 2014.

NOTE 4 - REAL ESTATE HELD FOR SALE

Property held for sale was purchased from the Department of the U.S. Army on June 26, 1996, and is stated at the lower of cost or market less costs to sell (net realizable value) using the specific-identification method. The Authority purchased both personal and real property of the military base known as Fort Harrison for $6,135,971. Management of the Authority allocated the lump-sum purchase price between personal and real property based upon the relative sales value of the property at the date of acquisition. This allocation resulted in cost assignments of $150,000 for personal property and $5,985,971 for real estate as of June 30, 1996. As of December 31, 2014 and 2013, the balance of land held for resale plus development costs was $8,547,182 and $8,804,153, respectively.

During 2014, the Authority purchased two parcels classified as held for sale and began developing these and other parcels held for sale which resulted in $953,029 of additions included in real estate held for sale. During 2013, the Authority purchased one parcel classified as held for sale which resulted in $315,173 of additions included in real estate held for sale.

During 2014, the Authority sold one parcel classified as held for sale for $1 and, as part of the sale, provided $1,810,000 in initial funding to the developer. This resulted in $1,210,000 of disposals included in real estate held for sale and a net loss on the sale of $3,020,371. Related to this sale, the Authority entered into a master lease agreement with the purchaser as discussed further at Note 10.

NOTE 4 - REAL ESTATE HELD FOR SALE (CONTINUED)

Legal title to approximately five percent of the Authority's real property remains with the Department of the U.S. Army. The Authority has operational rights to this property through a lease agreement with the Department of the U.S. Army. Title for this property will transfer to the Authority when certain environmental remediation has occurred and military operational needs have been met.

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2014 and 2013 is as follows:

	Beginning Balance, January 1, 2014	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2014
Capital assets, not being depreciated:				
Land	$ 125,000			$ 125,000
Total capital assets, not being depreciated	125,000			125,000
Capital assets, being depreciated:				
Buildings and improvements	981,380			981,380
Equipment, furniture and fixtures and other	29,545			29,545
Total capital assets, being depreciated	1,010,925			1,010,925
Less accumulated depreciation for:				
Buildings and improvements	(326,964)	$(19,788)		(346,752)
Equipment, furniture and fixtures and other	(53,154)	(13,771)		(66,925)
Total accumulated depreciation	(380,118)	(33,559)		(413,677)
Total capital assets, being depreciated, net	630,807	(33,559)		597,248
Capital assets, net	$ 755,807	$(33,559)	$	$ 722,248

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance, January 1, 2013	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2013
Capital assets, not being depreciated:				
Land	$ 125,000			$ 125,000
Total capital assets, not being depreciated	125,000			125,000
Capital assets, being depreciated:				
Buildings and improvements	981,380			981,380
Equipment, furniture and fixtures and other	32,143	$ 3,627	$ (6,225)	29,545
Total capital assets, being depreciated	1,013,523	3,627	(6,225)	1,010,925
Less accumulated depreciation for:				
Buildings and improvements	(307,177)	(19,787)		(326,964)
Equipment, furniture and fixtures and other	(45,407)	(13,972)	6,225	(53,154)
Total accumulated depreciation	(352,584)	(33,759)	6,225	(380,118)
Total capital assets, being depreciated, net	660,939	(30,132)		630,807
Capital assets, net	$ 785,939	$(30,132)	$	$ 755,807

NOTE 6 - BONDS PAYABLE

Bonds outstanding consisted of the following at December 31, 2014 and 2013:

	2014	2013
Variable Rate Demand Tax Increment and Revenue Bonds, Series 2000:		
Serial bonds, maturing February 1, 2015 to 2021 in payments ranging from $645,000 to $895,000. Interest computed at a variable rate, due monthly.	$ 5,350,000	$ 5,960,000
Fixed Rate Tax Increment Bonds, Series 2006:		
Serial bonds, maturing February 1 and August 1, 2015 to 2019 in payments ranging from $270,000 to $325,000. Interest computed at 4.00% to 5.00%, due semiannually on February 1 and August 1.	1,445,000	1,970,000
Term bonds, maturing August 1, 2017 to February 1, 2026 in payments ranging from $600,000 to $1,460,000. Interest computed at 4.00% to 5.00%, respectively, due semiannually on February 1 and August 1.	6,610,000	6,610,000

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2014	2013
Fixed Rate Increment Bonds, Series 2009:		
Serial bonds, maturing February 1 and August 1, 2015 to 2019 in payments ranging from $160,000 to $170,000. Interest computed at 2.90% to 4.00%, due semiannually on February 1 and August 1.	$ 1,635,000	$ 1,945,000
Term bonds, maturing August 1, 2020 to August 1, 2024 and February 1, 2026 in payments ranging from $350,000 to $2,325,000. Interest computed at 4.125% to 5.000%, respectively, due semiannually on February 1 and August 1.	7,690,000	7,690,000
Total Principal	22,730,000	24,175,000
Net discount on bonds payable	(75,300)	(82,044)
Total Bonds Payable	22,654,700	24,092,956
Less: Current portion	(1,510,000)	(1,445,000)
Bonds Payable, Less Current Portion	$21,144,700	$22,647,956

Variable Rate Demand Tax Increment and Revenue Bonds, Series 2000

On March 27, 2000, the Authority issued $12,345,000 of Variable Rate Demand Tax Increment and Revenue Bonds, Series 2000 (the Series 2000 Bonds) to provide funds to (1) finance a portion of the costs of acquisition of property; (2) refinance $10,698,125 of the Authority's City of Lawrence, Indiana Fort Harrison Military Base Reuse District Tax-Exempt Notes of 1999; (3) pay capitalized interest on the Series 2000 Bonds; and (4) pay bond issuance costs on the Series 2000 Bonds. The Series 2000 Bonds are secured by a Letter of Credit in the amount of $5,960,000, which expires in successive one-year periods on March 15, 2016 but in no event beyond February 15, 2021 unless a 180 day notice prior to any Stated Termination Date is provided to the Trustee.

Payments under the Letter of Credit are governed by a separate Reimbursement Agreement between the Authority and the Letter of Credit issuer. The bonds are payable solely from incremental ad valorem real property tax revenues levied and collected on property within the designated tax increment Allocation Area. The bonds are subject to optional redemption by the Authority beginning in February 2001, at amounts equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date. Interest rate was .05% at December 31, 2014.

Fixed Rate Tax Increment Bonds, Series 2006

On October 10, 2006, the Authority issued $11,795,000 of Fixed Rate Tax Increment Bonds, Series 2006 (the 2006 Authority Bonds) to provide funds to finance the demolition of the Hawley Hospital and the post exchange and commissary facility and related property development and improvements and the construction of a new post exchange and commissary facility and related improvements (collectively, the "2006 Project"); including repayment of interim advances and financing thereof, and incidental expenses incurred in connection therewith. The 2006 Authority Bonds are issued on a parity with respect to the lien on the Revenues (as defined in the Authority indenture) securing the Series 2000 Bonds issued on March 22, 2000. The provisions of the Letter of Credit are solely for the protection of the Series 2000 Bonds and are not for the protection of the 2006 Authority Bonds. The bonds are payable solely from and secured exclusively by incremental ad valorem real property tax revenues levied and collected on property within the designated tax increment Allocation Area.

NOTE 6 - BONDS PAYABLE (CONTINUED)

The 2006 Authority Bonds, maturing August 1, in the years 2017, 2018, 2020, 2022, 2023 and 2024, and February 1, 2026, are subject to optional redemption by the Authority beginning in February 2017, at amounts equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Fixed Rate Tax Increment Bonds, Series 2009

On April 17, 2009, the Authority issued $11,085,000 of Fixed Rate Tax Increment Bonds, Series 2009 (the 2009 Authority Bonds) to provide funds for the development of the Lawrence Village at the Fort. The 2009 Authority Bonds are issued on a parity with respect to the lien on the Revenues securing the Series 2000 Bonds issued on March 22, 2000. The provisions of the Letter of Credit are solely for the protection of the Series 2000 Bonds and are not for the protection of the 2009 Authority Bonds. The bonds are payable solely from and secured exclusively by incremental ad valorem real property tax revenues levied and collected on property within the designated tax increment Allocation Area.

The 2009 Authority Bonds, maturing August 1, in the years 2020, 2021, 2022, 2023 and 2024, and February 1, 2026, are subject to optional redemption by the Authority beginning in August 2019, at amounts equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

All of the Authority's bond agreements include certain restrictive covenants.

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized discount or premium are as follows at December 31, 2014. The debt service requirements for the Variable Rate Demand Tax Increment and Revenue Bonds are based upon scheduled maturities, but may be called on demand.

Payable In	Principal	Interest	Total
2015	$ 1,510,000	$ 781,185	$ 2,291,185
2016	1,575,000	743,803	2,318,803
2017	1,645,000	712,150	2,357,150
2018	1,720,000	669,834	2,389,834
2019	1,470,000	624,446	2,094,446
2020-2024	11,180,000	2,338,724	13,518,724
2025-2026	3,630,000	271,170	3,901,170
	$22,730,000	$6,141,312	$28,871,312

Changes in long-term obligations for the years ended December 31, 2014 and 2013 were as follows:

	2014				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term Obligations:					
Series 2000 Bonds	$ 5,960,000	$	$ (610,000)	$ 5,350,000	$ 645,000
2006 Authority Bonds	8,580,000		(525,000)	8,055,000	545,000
2009 Authority Bonds	9,635,000		(310,000)	9,325,000	320,000
Discount	(82,044)		6,744	(75,300)	
Total Long-term Obligations	$24,092,956	$	$(1,438,256)	$22,654,700	$1,510,000

NOTE 6 - BONDS PAYABLE (CONTINUED)

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term Obligations:					
Series 2000 Bonds	$ 6,535,000	$	$ (575,000)	$ 5,960,000	$ 610,000
2006 Authority Bonds	9,085,000		(505,000)	8,580,000	525,000
2009 Authority Bonds	9,940,000		(305,000)	9,635,000	310,000
Discount	(88,788)		6,744	(82,044)	
Total Long-term Obligations	$25,471,212	$	$(1,378,256)	$24,092,956	$1,445,000

NOTE 7 - BENEFIT PLAN

Plan Description

The Authority contributed to the Public Employees' Retirement Fund (PERF). PERF as part of the implementation of GASB Statement No. 67 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 of Indiana 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. PERF ASA Only Plan members are full-time employees of the State of Indiana (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.

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 annuity savings accounts. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

NOTE 7 - RETIREMENT PLAN (CONTINUED)

Investments in the members' annuity savings accounts 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.

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/.

Funding Policy

The State of Indiana 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 annuity savings account, 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 annuity savings accounts.

For the 2014 plan year, the Authority's contribution was $24,303, equal to the required contributions for the year.

NOTE 8 - RENTAL INCOME FROM OPERATING LEASES

The Authority leases space in its buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable operating leases to be received in each of the next five years and thereafter as of December 31, 2014 are as follows:

Receivable In	Rental
2015	$ 36,370
2016	20,100
2017	24,000
2018	24,000
2019	24,000
Thereafter	90,000
	$218,470

NOTE 9 - RISK MANAGEMENT

The Authority maintains commercial insurance policies for all risks of loss. Certain of these policies allow for deductibles, which range up to $5,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 10 - COMMITMENTS

During 2014, the Authority entered into a three party master lease agreement with the purchaser of a parcel of the Authority's real estate held for sale and the purchaser's senior lender. The agreement requires the Authority to pay rent to the purchaser equal to the purchaser's monthly debt service charge due to the purchaser's senior lender. The agreement requires the purchaser to pay rent to the Authority equal to the debt service charge paid to the purchaser's senior lender by the Authority. The Authority's required monthly rental payment to the Purchaser's senior lender is independent of the purchaser's requirement to pay the Authority and can't be waived due to lack of performance of the purchaser. In order to protect the Authority's interest, the purchase agreement has certain covenants which the purchaser must achieve. Additionally, the Authority has a second mortgage on the purchaser's property and a security interest in the purchaser.

During 2014, the Authority entered into an agreement with a developer to develop a parcel of the Authority's real estate held for sale into residential property. The quoted total contract price including subsequent change orders through April 2015 is $3,052,637, of which $678,439 has been paid or is payable as of December 31, 2014.

During 2014, the Authority entered into a development services agreement with an organization to provide services related to the Authority's real estate held for sale. The agreement requires monthly payments of $5,000 through December 2015. Additionally, there is a fee for success development projects equal to $.50 per gross square foot of residential and $1 per gross square foot of all other vertical development projects. The additional fee is payable at 100% as calculated for the first 150,000 square feet with a decreasing sliding scale thereafter. The agreement can be cancelled by either party with 10 days notice.

NOTE 11 - INTERLOCAL AGREEMENT

The Authority and the City of Lawrence (the City) have agreed that there is a strain which the promotion, development and redevelopment of the former Fort Benjamin Harrison has put on the capacity and maintenance of local municipal public improvements of the City that are in, directly serving, or benefiting the Redevelopment Area. As a result, the Authority has entered into a City Services and Payment Agreement with the City through the Department of Public Works for police, fire protection, and utility services provided to the Redevelopment Area provided by the City. In accordance with the most recent amendment, the Authority expensed $488,000 and $425,000 in 2014 and 2013, respectively. No agreement has yet been finalized related to future periods.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end, the Authority entered into a sales agreement with a company to sell a parcel included in the Authority's real estate held for sale with a current closing date established as June 30, 2015. The agreement calls for a purchase price of $370,000 financed with a note receivable. The agreement also calls for another note receivable of $290,000 to finance the purchaser's development of the parcel. Both notes receivable have the same terms. The notes accrue interest at 5% with a single payment of all principle and accrued interest due on December 31, 2022. However, provided the purchaser meets certain covenants during the term of the loan, the full amount of the loan including all accrued interest will be forgiven. These covenants require certain timeliness for construction and beginning operations as well as certain minimum workforce requirements upon the start of operations.

In June 2015, the Authority issued $18,595,000 of Fixed Rate Tax Increment Bonds, Series 2015 (the 2015 Authority Bonds) to refund all of the Series 2000 Bonds and finance certain local public improvements. The bonds are payable solely from and secured exclusively by incremental ad valorem real property tax revenues levied and collected on property within the designated tax increment Allocation Area. The bonds bear interest that varies between 3% and 4%.

The 2015 Authority Bonds, maturing from August 1, 2015 through February 1, 2035, are subject to optional redemption by the Authority beginning in August 2025, at amounts equal to 100% of the principal amount redeemed, plus interest accrued to the redemption date.

OTHER REPORT

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

Year Ended December 31, 2014

Board of Directors
Fort Harrison Reuse Authority

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of Fort Harrison Reuse Authority (the Authority), which comprise the statement of net position as of December 31, 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the year ended December 31, 2014, and the related notes to the financial statements and have issued our report thereon dated July 14, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
July 14, 2015