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August 22, 2016

Cindy Hoye, Executive Director
Indiana State Fair Commission
1202 E 38th St
Indianapolis, IN 46205

We have reviewed the audit report prepared by Crowe Horwath LLP, Independent Public Accountants, for the period January 1, 2015 to December 31, 2015. 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 Indiana State Fair Commission, as of December 31, 2015, 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

INDIANA STATE FAIR COMMISSION
(A COMPONENT UNIT OF THE
STATE OF INDIANA)

FINANCIAL STATEMENTS
December 31, 2015

INDIANA STATE FAIR COMMISSION
(A COMPONENT UNIT OF THE STATE OF INDIANA)
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2015

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Members of the Commission
Indiana State Fair Commission
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Indiana State Fair Commission (Commission), a component unit of the State of Indiana, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Commission'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 of America; 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.

Auditor's 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 of America. 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 auditor's 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana State Fair Commission as of December 31, 2015, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the notes to the financial statements, during the year ended December 31, 2015, the Commission adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, the schedule of the Commission's' proportionate share of the net pension liability on page 33 and the schedule of the Commission's contributions on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 of America, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
June 16, 2016

As management of the Indiana State Fair Commission (Commission), we offer readers of the Commission's basic financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended December 31, 2015.

FINANCIAL HIGHLIGHTS

- The Commission's net position is $39.6 million at the December 31, 2015. Of this amount, $4.2 million (unrestricted net position) may be used to meet any of the Commission's ongoing obligations. There is a total of $.5 million in net position that has been internally designated by the Commission for specific purposes: this amount is set aside as a reserve for net earnings for the Indiana State Fair; the funds are intended to be available for the Commission to use toward paying lease payments associated with the Coliseum Project debt service if the Fair fails to hit budgeted net earnings.

- The Commission's current assets increased by $1.2 million, and total liabilities decreased $0.1 million during the current fiscal year. Cash and cash equivalents decreased $0.1 million. The most significant shifts in current assets were increases in pledge receivables related to the Indiana State Fair Foundation, and in receivables from the State of Indiana due to timing of general fund appropriations, the liabilities decrease was due to principle payments made towards the capital lease related to the Coliseum Renovation Project offset with an increase in the net pension liability related to the PERF pension plan. Cash had a minimal change due to normal business fluctuations.

- The Commission's total net position decreased by approximately $1.0 million during the current fiscal year. Increases to interest expense on the capital lease liability related to the Coliseum Renovation Project and an increase in personal services expense due to increased required annual contributions to the PERF pension plan and related GASB 68 pension expense were the two most noteworthy causes for the decrease in total net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The State Fair Commission was established per Indiana Code 15-1.5-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic. The Commission is not a state agency. Therefore, the organization's financial activities are accounted for in a manner similar to a commercial enterprise on the accrual basis of accounting. The Commission's basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses and Change in Net Fund Position, Statement of Cash Flows, and the notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves. All information included in this analysis is presented for the two most recent fiscal years to provide the opportunity for comparison between years.

The Indiana State Fair Foundation (Foundation) was created in July 2011. The Board of Directors of the Foundation is made up of Commission members of the Indiana State Fair Commission. Therefore, the Foundation is considered a blended component unit of the Commission for the purpose of financial reporting.

The *Statement of Net Position* presents information on all of the Commission's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Commission's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. In contrast, the *Statement of Cash Flows* is concerned solely with flows of cash and cash equivalents. Transactions are recorded when cash is received or exchanged, without concern of when the underlying event causing the transactions occurred.

In addition to the financial statements within this report, the *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $39.6 million at the close of the most recent fiscal year.

Indiana State Fair Commission's Comparative Summary of Net Position
(In Thousands of Dollars)

	2015	2014 as restated
Current and other assets	$ 12,894	$ 11,722
Capital assets	88,494	91,943
Total assets	101,388	103,665
Deferred outflows of resources	1,266	514
Current liabilities	2,876	2,754
Noncurrent liabilities	60,182	60,446
Total liabilities	63,058	63,200
Deferred inflows of resources	16	380
Net position:		
Net investment in capital assets	30,117	32,408
Restricted	5,225	4,039
Unrestricted	4,238	4,152
Total net position	$ 39,580	$ 40,599

The 2014 figures presented above have been adjusted for the prior period adjustment relating to the implementation of GASB Statement No. 68 which is disclosed in the notes to the financial statements. As a result of the entry, non-current liabilities increased $1,860,578, unrestricted net position decreased $1,886,423, deferred outflows of resources increased by $353,729, and deferred inflows of resources increased by $379,574 for 2014.

FINANCIAL ANALYSIS (continued)

Net position decreased in 2015 and 2014. The decreases can be attributed to significant increases in depreciation expense and interest expense related to capital lease payments.

Restricted net position increased in 2015 by $1.2 million. The one major factor related to this increase was more funds received by the Foundation primarily for the Coliseum Renovation Project. The Coliseum Project funds continue to be restricted and will be used to make an early call on the bonds associated with the capital lease obligation. The early call will take place in fiscal year 2017.

Indiana State Fair Commission's Comparative Summary of Changes in Net Position (In Thousands of Dollars)

	2015	2014, as restated
Operating revenues:		
State Fair	$ 11,507	$ 10,939
Rental of buildings	5,618	4,302
Parking	1,336	1,160
Concessions	866	675
Fairgrounds events	50	38
Skating	385	361
Other	280	215
Total operating revenues	20,042	17,690
Operating expenses:		
State Fair	10,320	10,842
Professional services	6,166	6,543
Depreciation	5,259	5,307
Payroll	6,283	5,523
Materials & supplies	763	1,053
Capital expenditures	719	645
Other	595	769
Total operating expenses	30,105	30,682
Loss from operations	(10,063)	(12,992)
Non-operating revenues:		
Tax distributions	9,401	7,649
Contributions	2,208	623
Investment income	7	11
Total nonoperating Revenues	11,616	8,283
Non-operating expense:		
Interest expense	(2,572)	(2,169)
Total non-operating expense	(2,572)	(2,169)
Loss before capital contributions	(1,019)	(6,878)
Capital contributions	-	231
Change in net position	(1,019)	(6,647)
Net position:		
Beginning of year	40,599	49,133
Restatement for GASB 68/71	-	(1,887)
End of year	$ 39,580	$ 40,599

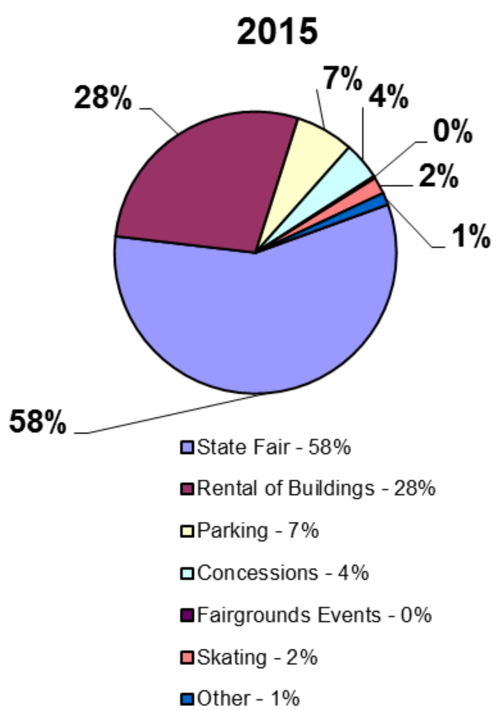
2014 operating expenses were not adjusted for the prior period adjustment related to implementing GASB Statement No. 68. The adjustment is shown as an adjustment to beginning net position.

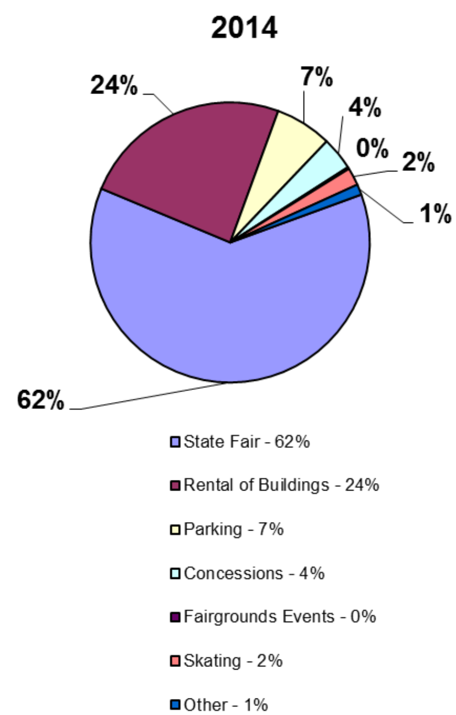
FINANCIAL ANALYSIS (continued)

The State Fair (Fair) revenue increased $0.6 million. The Fair saw another year of ideal weather in August resulted in an attendance in 2015 to be over 900,000 for the third consecutive year. The largest contributing factor in the increase was sponsorship revenues being nearly $0.6 million more than the previous year; although, gates and concessions revenue were also higher than the previous year. Fair attendance of 907,342 was lower than the near record attendance of the previous year, but marginal gate increases in gate admissions offset the slight decrease in attendance. Expenses decreased by $0.5 million. The decrease is mainly savings related to costs associated with the ticketed concerts in the Indiana Farmers Coliseum.

The Commission's net position decreased $1.0 million during the current fiscal year, after decreasing $6.6 million the previous year. The decreases of the past two years are a notable correlation to the increase in depreciation and interest expense; both associated directly with the financial impact of the Coliseum Renovation Project.

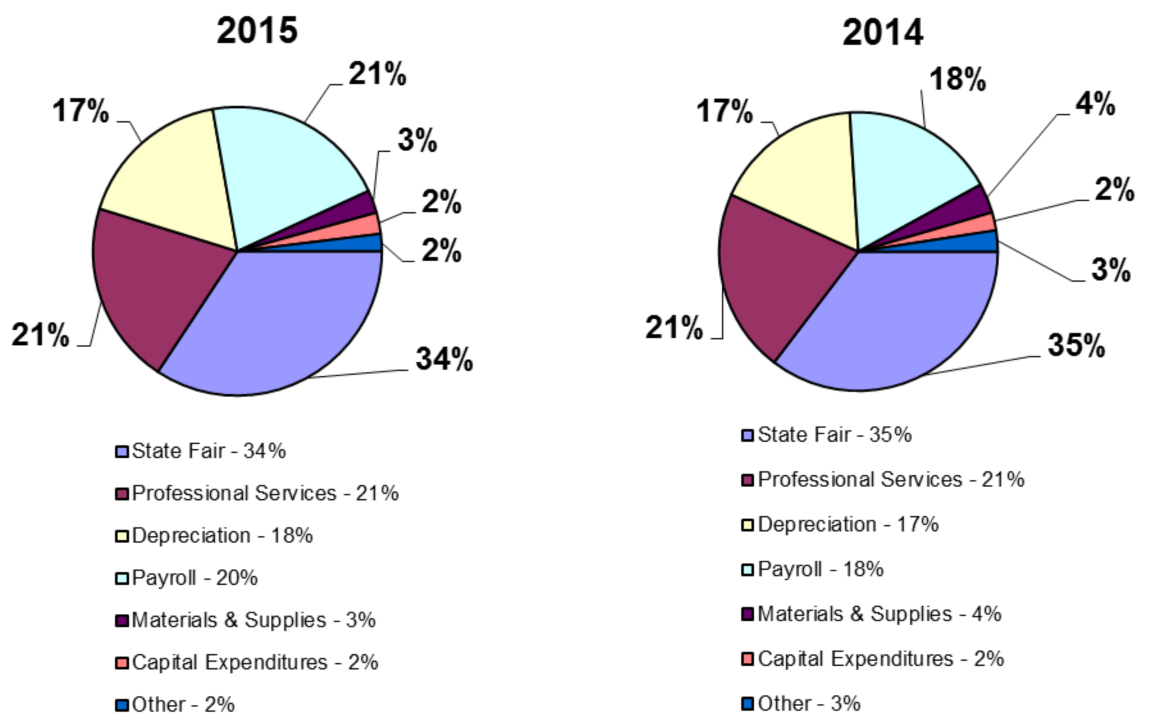
REVENUES BY SOURCE





FINANCIAL ANALYSIS (continued)

EXPENSES BY TYPE



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Commission's total capital assets as of December 31, 2015, amounts to $88.5 million (net of accumulated depreciation). This includes land, land improvements, buildings, equipment, and furnishings and fixtures. There was no construction in progress as of December 31, 2015. Net investment in capital assets at December 31, 2015 was $30.1 million. The total decrease in the Commission's net investment in capital assets for the current fiscal year was $2.3 million.

Major capital asset events during the current fiscal year included the following:

- Phase I of the Speed Barn Renovation Project was completed with a total of $1.9 million moved to capital assets. Phase II of the project is scheduled to begin in 2016.

- The upgrades to the Enough Plaza were completed in 2015. The Commission's portion of project was $0.8 million; the total project was nearly $2 million. The majority of the project was paid for by the Indiana Department of Transportation enlisting funds from federal transportation enhancement grants.

- There was approximately $165,000 invested in network infrastructure in fiscal year 2015.

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

- Other major projects include replacing HVAC systems in the Expo Hall ($59 thousand), the replacement of degenerated "cattle ties" ($50 thousand) the Hoover Fence Project ($30 thousand), and the purchase of a used water truck and JLG knuckle boom ($44 and $28 thousand, respectively).

Indiana State Fair Commission's Capital Assets
(Net of Depreciation)
(In Thousands of Dollars)

	2015	2014
Land	$ 1,334	$ 1,334
Land improvements	3,524	3,967
Buildings	83,336	84,958
Equipment	109	69
Furnishings & fixtures	191	249
Construction in progress	-	1,366
Total	$ 88,494	$ 91,943

Additional information on the Commission's capital assets can be found in the notes to the financial statements.

Debt: On November 9, 2012 the Indiana Finance Authority (IFA) completed a bond issue (Series 2012L), maturing July 1, 2017, used to pay a one-time lease payment of $4.7 million to the Commission; whereby the Commission leased the Coliseum to the IFA under a Base Lease. The proceeds, along with other available funds were used to pay off the 2002 bonds.

Also, on November 9, 2012, the IFA completed a second bond issue (Series 2012M); the principal of that bond issue was $57.6 million. The proceeds from that bond were used for the Coliseum Renovation Project. The Commission has entered into a Master Use and Occupancy Agreement with the IFA; per the agreement, the Commission will make lease payments to the IFA for the use of the Coliseum. As of December 31, 2015, there was $1.6 million in short term principal and $56.9 million in long term debt principal outstanding on the agreement.

Both debt transactions are recorded as a capital lease payable in the financial statements and notes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of this information should be addressed to Indiana State Fair Commission, 1202 East 38th Street, Indianapolis, IN 46205.

INDIANA STATE FAIR COMMISSION
STATEMENT OF NET POSITION
December 31, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	3,101,286
Restricted Cash and Cash Equivalents: Standardbred Racing Fund	657,362
Cash and Cash Equivalents: Foundation	1,224,855
Restricted Cash and Cash Equivalents: Foundation	4,567,356
Accounts Receivable	711,396
Pledge Receivable	1,165,670
Receivable from the State of Indiana	420,000
Interest Receivable	845
Prepaid Expense	10,775
Total Current Assets	11,859,545
Noncurrent Assets:	
Investments - Unrestricted	535,000
Commission Designated Investments - Indiana State Fair Reserve	500,000
Total Unrestricted and Designated Investments	1,035,000
Capital Assets:	
Property, Plant and Equipment	
Land and Improvements	15,736,670
Buildings and Improvements	139,933,043
Machinery and Equipment	4,146,099
Office Furniture and Equipment	1,295,996
Less: Accumulated Depreciation	(72,618,084)
Capital Assets, Net of Depreciation	88,493,724
Total Noncurrent Assets	89,528,724
Deferred Outflows of Resources	
Unamortized Loss on Sale of Bonds	104,978
Deferred Pension Expense	1,160,776
Total Assets and Deferred Outflows of Resources	$ 102,654,023
Liabilities	
Current Liabilities:	
Accounts Payable	860,849
Salaries Payable	126,788
Payroll Withholdings Payable	9,138
Capital Leases Payable	1,587,500
Taxes Payable	23,339
Unearned Revenue	144,928
Compensated Absences Payable	123,893
Total Current Liabilities	2,876,435
Noncurrent Liabilities:	
Capital Leases Payable	56,894,608
Compensated Absences	93,820
Net Pension Liability	3,193,562
Total Noncurrent Liabilities	60,181,990
Total Liabilities	63,058,425
Deferred Inflows of Resources	
Deferred pension expense	15,522
Net Position	
Net Investment in Capital Assets	30,116,594
Restricted - Expendable:	
Indiana State Fair Foundation	4,567,356
Standardbred Racing Fund	657,362
Unrestricted	4,238,764
Total Net Position	39,580,076
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 102,654,023

Operating Revenues:	
Fair Operations:	
Gates	3,958,658
Concessions/Midway	2,957,670
Entertainment	493,932
Sponsorship	1,731,534
Department	204,518
Sport/Events	119,249
Livestock	521,228
Shuttle Bus	224,288
Parking	959,886
Other	336,523
Total Fair Operations	11,507,486
Non-Fair Operations:	
Concessions	866,192
Rentals of Buildings, Grounds, and Equipment	3,821,103
Expense Reimbursement	1,796,846
Fairground Events	50,354
Ice Skating and Skate Shop	384,963
Parking	1,336,273
Sponsorships	170,000
Other	109,435
Total Non-Fair Operations	8,535,166
Total Operating Revenue	20,042,652
Operating Expenses:	
Fair Operations:	
Personal Services	2,397,146
Services Other Than Personal	395,337
Services by Contract	5,908,627
Materials, Parts and Supplies	907,630
Equipment	3,441
Grants/Subsidies/Refunds/Awards	647,375
Travel	60,540
Total Fair Operations	10,320,096

Operating Expenses (continued):	
Non-Fair Operations:	
Personal Services	6,283,225
Services Other Than Personal	2,428,169
Services by Contract	3,737,930
Materials, Parts and Supplies	762,500
Equipment	9,123
Lands/Structures	710,068
Depreciation	5,259,145
Grants/Subsidies/Refunds/Awards	579,555
Travel	11,190
Bad Debt Expense	4,565
Total Non-Fair Operations	19,785,470
Total Operating Expenses	30,105,566
Operating Loss	(10,062,914)
Nonoperating Revenues (Expenses):	
State General Fund Appropriations	2,573,000
Riverboat Distribution	5,662,794
Pari-Mutual, Off Track Betting Distribution	165,665
Standardbred Racing Fund	1,000,000
Investment Earnings	7,009
Interest Expense	(2,572,359)
Grants and Contributions	2,207,539
Total Nonoperating Revenues	9,043,648
Change in Net Position	(1,019,266)
Total Net Position, January 1 (as restated)	40,599,342
Total Net Position, December 31	$ 39,580,076

See accompanying notes to financial statements

INDIANA STATE FAIR COMMISSION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

Cash Flows from Operating Activities:		
Receipts from Customers and Users	$	20,114,530
Payments to Suppliers		(16,381,713)
Payments to Employees		(8,493,495)
Net Cash Used by Operating Activities		(4,760,678)
Cash Flows from Noncapital Financing Activities:		
Tax Distributions from State		6,828,459
State General Fund Appropriations		2,153,000
Grants and Contributions		437,540
Net Cash Provided by Noncapital Financing Activities		9,418,999
Cash Flows from Capital and Related Financing Activities:		
Acquisition/Construction of Capital Assets		(1,809,846)
Principal Paid on Capital Debt		(1,212,355)
Interest Paid on Capital Debt		(2,517,588)
Grants and Contributions		729,314
Net Cash Used by Capital and Related Financing Activities		(4,810,475)
Cash Flows From Investing Activities:		
Interest Received		7,644
Net Cash Used in Investing Activities		7,644
Net Decrease in Cash and Cash Equivalents		(144,510)
Cash and Cash Equivalents, January 1		9,695,369
Cash and Cash Equivalents, December 31	$	9,550,859
Reconciliation of Cash, Cash Equivalents:		
Cash and Cash Equivalents, Current, per Statement of Net Position	$	4,326,141
Restricted Cash and Cash Equivalents, Current, per Statement of Net Position		5,224,718
Cash and Cash Equivalents, per Statement of Net Position	$	9,550,859
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(10,062,914)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation/Amortization Expense		5,259,145
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		78,790
(Increase) Decrease in Deferred Outflows - Pension Liability		(807,047)
(Increase) Decrease in Prepaid Expenses		64,643
Increase (Decrease) in Accounts Payable		(296,975)
Increase (Decrease) in Salaries and Payroll Withholding Payables		23,858
Increase (Decrease) in Unearned Revenue		(6,912)
Increase (Decrease) in Accrued Compensated Absences		1,133
Increase (Decrease) in Taxes Payable		16,669
Increase (Decrease) in Net Pension Liability		1,332,984
Increase (Decrease) in Deferred Inflows - Pension Liability		(364,052)
Net Cash Used by Operating Activities	$	(4,760,678)

See accompanying notes to financial statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Indiana State Fair Commission, a component unit of the State of Indiana, was established per Indiana Code 15-1.5-2 as the trustee for and on behalf of the people of the State of Indiana to administer the State Fairgrounds as trust property of the State of Indiana. The Commission is a separate body, corporate and politic and is not a state agency. The Commission shall maintain and develop the Fairgrounds and other properties owned by the Commission. The Indiana State Fair Commission is a component unit to be included in the State of Indiana's Comprehensive Annual Financial Report (CAFR) because of it being established a separate body, corporate and politic (not a state agency), by Indiana Code 15-13-2. A component unit is defined as a legally separate organization for which the elected officials of the primary government are financially accountable.

Blended Component Unit

Effective July 1, 2011, SEA 478 (2011) authorized the Indiana State Fair Commission to establish a nonprofit subsidiary corporation to solicit and accept private funding. Using this authority, the Indiana State Fair Foundation was established and received Internal Revenue Service approved 501(c)(3) status. The Foundation is a financially responsible organization that helps create legacies to: enrich the lives of all Hoosiers, provide resources for youth development, communicate the traditions and technology of Indiana Agriculture, preserve and enhance the campus of the Indiana State Fairgrounds in perpetuity. The Foundation is a public charity, qualified to accept tax deductible bequests, devises, transfers and gifts dedicated to support the year-round youth development, education and campus stewardship projects of the Indiana State Fair Commission, and is governed by the Commission.

B. New Accounting Pronouncements

In 2015, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71**,** *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* These Statements require the Commission to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the statement of net position. The change in accounting for pensions, as discussed in notes to the financial statements, resulted in the following restatement at January 1, 2015:

	Beginning Balance	As Restated	GASB 68 Adjustment
Statement of Net Position:			
Net pension liability	$ -	$ 1,860,578	$ 1,860,578
Deferred outflows of resources	-	353,729	353,729
Deferred inflows of resources	-	379,574	379,574
Statement of Revenues, Expenses and Changes in Net Position:			
Net position	$ 42,485,765	$ 40,599,342	$ 1,886,423

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Commission's accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments for business-type activities using proprietary fund accounting and reporting as enterprise fund. Operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed and recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Commission distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the annual state fair, leases and rentals, and usage charges. Operating expenses include the cost of sales and services, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Position

1. Deposits and Investments

The Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Short-term investments are investments with remaining maturities of up to 90 days. State statute (IC 5-13-10.5) authorizes the Commission to invest in interest-bearing accounts, passbook savings accounts, certificates of deposit, money-market deposit accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit and obligations of the U.S. Treasury, a federal agency, a federal instrumentality, a federal government sponsored enterprise, and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations. At December 31, 2015, the Commission held demand deposits and certificate of deposits. Investment earnings are reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

2. Contributions Receivables

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the Commission records operating and capital pledges as revenue when all eligibility requirements have been met.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position (continued)

4. Use of Estimates and Reclassifications

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

5. Designated and Restricted Assets

Funds from the Indiana State Fair net income are classified as designated assets on the Statement of Net Position. Net Income from the Fair is used to support lease payments; the funds are set aside to mitigate the volatility of the Fair's budget related to weather.

Funds contributed to the Indiana State Fair Foundation, as well as interest earned on those funds, are classified as restricted assets on the Statement of Net Position and are intended to be used toward the mission of the Foundation.

Restricted assets are released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events. When expenditures are incurred for which both restricted and unrestricted resources are available, it is the policy to apply restricted resources first, then unrestricted resources as needed.

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are reported at actual historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land improvements	$ 25,000	Straight-line	15 Years
Tunnels	25,000	Straight-line	30 Years
Buildings	25,000	Straight-line	20 Years (40 Years Prior to 1981)
Building improvements	25,000	Straight-line	4-20 Years
Machinery and equipment	25,000	Straight-line	3-10 Years
Electrical upgrades	25,000	Straight-line	12-15 Years
Furniture and equipment	25,000	Straight-line	5-10 Years

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position (continued)

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

7. Accounts Payable

Operating payables and contracts payable have been combined on the Statement of Net Position. Contracts payable make up $661,745 of the combined accounts payable.

8. Compensated Absences

a. Sick Leave – Commission employees earn sick leave at the rate of 9 days per year. Unused sick leave may be accumulated indefinitely. Accumulated sick leave is not paid to employees.

b. Vacation Leave – Commission employees earn vacation leave at rates from 12 days to 25 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees in good standing, through cash payments for up to a maximum of 30 days vacation upon separation of service.

c. Personal Leave – Commission employees earn personal leave at the rate of 3 days per year. Unused personal leave may be accumulated to a maximum of 3 days. Any personal leave accumulated in excess of 3 days automatically becomes part of the sick leave balance. Accumulated personal leave is not paid to employees.

Vacation leave is accrued when incurred and reported as a liability. No liability is reported for sick or personal leave.

9. Net Position

Net position of the Commission is classified in three components:

- Net investment in capital assets represents capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets.

- Restricted expendable net position is generally noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the State Fair Commission. Restricted expendable net position include funds dedicated to specific capital projects, the Standardbred Racing Fund, and funds set aside for the Indiana State Fair Foundation Projects.

- Unrestricted net position is remaining net position that do not meet the definition of investment in capital assets. The Commission has designated $500,000 of unrestricted net position as an internal reserve for Indiana State Fair net income.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Grants and Contributions

From time to time, the Commission receives grants from the State of Indiana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as nonoperating revenues.

The Commission received $2.2 million in grants and contributions in 2015. The grants include a $45,000 Indiana Soybean Alliance grant and a $5,000 Marion County Farm Bureau grant; both to support the education department. There was also a grant in the amount of $9,616 from the Indiana Department of Homeland Security to support training for the security staff of the Commission. The contributions to the Commission include $225,550 from the State of Indiana Horse Racing Commission and $3,000 from the Indiana Standardbred Association to offset premiums and administrative expenses related to harness races held at the Fairgrounds.

The Foundation received a total of $1.9 million in contributions. The major contributors were: the Lilly Foundation/Elanco ($500,000), Pop Weaver Popcorn Foundation ($500,000), Eli Lilly and Company ($250,000), Hallett Sports and Entertainment LLC ($250,000), and The Indianapolis Foundation ($100,000); these contributions, and an additional $170,000, were all unrestricted contributions to the Foundation for the Coliseum Renovation Project. There was also $60,000 contributed to the Foundation to support State Fair Celebration Awards and $125,000 raised by the Foundation at a fundraising event (Harvest Dinner) that supported the Celebration Awards.

II. DETAILED NOTES ON ACCOUNTS

A. Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Indiana State Fair Commission does not have a deposit policy for custodial credit risk. At December 31, 2015, the Indiana State Fair Commission had deposit balances in the amount of $11,376,911. All funds were held at banks in accounts either insured by the Federal Deposit Insurance Corporation (FDIC) for $250,000, or collateralized with securities of the U.S. Government or in municipal obligations with the appropriate credit rating at December 31, 2015.

II. DETAILED NOTES ON ACCOUNTS

B. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

2015	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,333,821	$ -	$ -	$ 1,333,821
Construction in progress	1,365,431	-	1,365,431	-
Total capital assets, not being depreciated	2,699,252	-	1,365,431	1,333,821
Capital assets, being depreciated:				
Land improvements	14,207,726	195,123	-	14,402,849
Buildings and improvements	137,073,937	2,859,106	-	139,933,043
Machinery and equipment	4,074,599	71,500	-	4,146,099
Office furniture	1,246,448	49,548	-	1,295,996
Totals	156,602,710	3,175,277	-	159,777,987
Less accumulated depreciation for:				
Land improvements	(10,240,605)	(637,776)	-	(10,878,381)
Buildings and improvements	(52,115,577)	(4,481,549)	-	(56,597,126)
Machinery and equipment	(4,005,524)	(31,732)	-	(4,037,256)
Office furniture	(997,233)	(108,088)	-	(1,105,321)
Totals	(67,358,939)	(5,259,145)	-	(72,618,084)
Total capital assets, being depreciated, net	89,243,771	(2,083,868)	-	87,159,903
Total capital assets, net	$ 91,943,023	$ (2,083,868)	$ 1,365,431	$ 88,493,724

II. DETAILED NOTES ON ACCOUNTS (continued)

C. Operating Leases

Operating Leases of a Lessee:
The Commission, as lessee, entered into an operating lease having initial or remaining noncancelable terms exceeding one year with Van Ausdall & Farrar on May 25, 2010, for the lease of a Ricoh MPC 5000 copier. The lease agreement also includes terms related to maintenance costs. The lease expired in May 2015. The total lease expense for the year ending December 31, 2015 was $3,664.

The Commission, as lessee, entered into an operating lease having initial or remaining noncancelable terms exceeding one year with Konica Minolta on March 7, 2011, for the lease of three BIZHUB model copiers. The lease agreement also includes terms related to maintenance costs. The lease expired in March 2015. The lease with Konica Minolta was amended on August 29, 2012 to add an additional BIZHUB copier to the lease. The lease was amended two (2) more times in 2015: an amendment signed February 19, 2015 extended the expiration date until March 2019, and an amendment signed October 5, 2015 added an additional BIZHUB copier to the lease. The total lease expense for the year ending December 31, 2015 was $71,015.

Future minimum lease payments under operating leases are as follows:

	$ Amount
2016	$ 38,520
2017	38,520
2018	38,520
2019	9,630
Total	$ 125,190

Operating Leases of a Lessor: The Commission is engaged in leasing various facilities to tenants under operating leases expiring over the next 10 years. Substantially all capital assets of the Indiana State Fair Commission are available for leases.

The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under non-cancelable operating leases are as follows:

	$ Amount
2016	$ 1,103,953
2017	1,102,453
2018	1,102,453
2019	1,120,786
2020	1,157,453
2021-2024	3,704,119
	$ 9,291,217

II. DETAILED NOTES ON ACCOUNTS (continued)

D. Long-Term Liabilities

1. Capital Leases

The Indiana State Fair Commission has entered into a capital lease for the renovation of the Coliseum and construction of the new Youth Arena which was completed in prior year. At December 31, 2015, the total capitalized cost of the buildings and improvements was $58,512,385 and accumulated depreciation was $2,925,619. Future lease payments and present values of the net minimum lease payment under the capital lease as of December 31, 2015, are as follows:

	$ Amount
2016	$ 4,263,187
2017	4,261,238
2018	4,262,938
2019	4,273,138
2020	4,274,337
2021-2025	21,423,787
2026-2030	21,451,338
2031-2035	21,593,000
2036-2039	13,005,250
Total minimum lease payments	98,808,213
Less amount representing interest	40,326,105
Present value of net minimum lease payments	$ 58,482,108

2. Advance Refunding

As part of the capital lease liability transaction between the Indiana Finance Authority and the Indiana State Fair Commission, on November 9, 2012, the Indiana Finance Authority issued $4,580,000 in refunding revenue bonds (2012L) with an average interest rate of 2.93% to advance refund $9,565,000 of outstanding 2002 series bonds with an average interest rate of 4.4%. The net proceeds and local contributions of $5,014,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 series bonds. As a result, 2002 series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The refunding resulted in the accounting loss of $273,856, recognized as a deferred outflow on the Statement of Net Position. This amount will be amortized using the straight line method and charged to interest expense over 5 years. The Indiana State Fair Commission reduced its aggregate debt service payment by $715,905 over 5 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $461,029. The outstanding balance (including principal and interest) of the defeased 2002 series bond at December 31, 2015 was $4,225,673.

II. DETAILED NOTES ON ACCOUNTS (continued)

3. Changes in Noncurrent Liabilities

Noncurrent liability activity for the year ended December 31, 2015, was as follows:

2015	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease payable	$ 59,694,463	$ 1,528	$ 1,213,883	$ 58,482,108	$ 1,587,500
Compensated absences	216,580	164,717	163,584	217,713	123,893
Total noncurrent liabilities	$ 59,911,043	$ 166,245	$ 1,377,467	$ 58,699,821	$ 1,711,393

E. Designated and Restricted Assets

Cash and investments designated or restricted include the following:

1. **Indiana State Fair Foundation** – There is $4.6 million listed as restricted funds for the Indiana State Fair Foundation. All of these funds are related to the Coliseum Project Capital Campaign (including related financing).

2. **Standardbred Racing Fund** – The Commission receives annual distributions from the Standardbred Racing Fund to support standardbred racing and facilities at the State Fairgrounds and to make grants to county fairs to support standardbred racing and facilities at the county fair tracks. Unspent funds are recorded as restricted funds to be spent in the following year.

3. **Indiana State Fair Reserve** – The net income from the Fair is used to support lease payment obligations related to debt service of revenue bonds. The weather has a great deal of impact on the financial results of the Fair and therefore the net income can be volatile. To mitigate the risk of a Fair not meeting anticipated financial goals the Commission has set aside $500,000 as a designated internal reserve to be used to meet debt obligations.

The balances of designated and restricted asset accounts are as follows:

Year Ended December 31	Amount
Indiana State Fair Foundation	$ 4,567,356
Standardbred Racing Fund	657,362
Indiana State Fair Reserve	500,000
Total designated and restricted assets	$ 5,724,718

II. DETAILED NOTES ON ACCOUNTS (continued)

F. Operating Revenue – Expense Reimbursement

The Indiana State Fair Commission receives revenue from the rental of buildings, grounds, and equipment. The contracts related to rental revenue contain allowances for expenses paid by the Commission on behalf of the client. These expenses can include, but are not limited to, utilities, set-up, tear-down, and clean-up. The costs of these expenses are passed along to the client. In many cases, the amount billed to the client is not a dollar to dollar pass through. Therefore, the revenue received for these services is recorded as Expense Reimbursement on the Statement of Revenues, Expenses, and Changes in Net Position. The corresponding expense is recorded under operating expenses.

III. OTHER INFORMATION

A. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters. The Commission is subject to the protection offered by the Indiana Tort Claims Act. Tort claims shall be paid from the Indiana Tort Claims Fund established at IC 34-13-3-24.

The State Fair Commission generally does not purchase commercial insurance for the risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. However, the Commission has acquired property insurance for specific buildings to guard against the destruction of assets, which covers up to $191,781,597, and possible loss of business revenue related to such destruction of assets, which covers up to $9,976,737. Currently, the Commission records, as an expenditure, any loss not covered by property insurance as the liability is incurred or replacement items are purchased.

The State Fair Commission does have a faithful performance bond, as required by statute (IC 15-13-2-15), which covers up to $50,000 for each of the following: Executive Director, Chief Operating Officer and Vice President of Administration, Director of Finance, Commission Chair, and each Commission member. There were no significant reductions in insurance coverage during 2015 and there were no settlements that exceeded insurance coverage during any of the past three fiscal years for those risks that the Commission purchased insurance.

B. Retirement Medical Benefits Account

SEA 501 (2007) established a retirement medical benefits account as a health reimbursement arrangement for eligible state government retirees. Full-time benefited employees of the Indiana State Fair Commission are eligible participants to receive this benefit as outlined in SEA 501. Contributions on behalf of the eligible Indiana State Fair Commission participants are made by the State of Indiana. Therefore, no actuarial information is included in this report. Actuarial information concerning the retirement medical benefits account can be found in the 2015 State of Indiana Comprehensive Annual Financial Report.

III. OTHER INFORMATION (continued)

C. Condensed Combining Information

GASB Statement No. 61 requires that combining information be presented for business-type activities that included a blended component unit within a single column on the basic financial statements.

The following summarizes the combining information for the statement of net position as of December 31, 2015:

	2015			
	State Fair	Foundation	Eliminations	Combined
Current assets	$ 5,079,912	$ 6,957,881	$ (178,248)	$ 11,859,545
Capital assets	88,493,724	-	-	88,493,724
Other assets	1,035,000	-	-	1,035,000
Total assets	94,608,636	6,957,881	(178,248)	101,388,269
Deferred outflows of resources	1,265,754	-	-	1,265,754
Total assets and deferred outflows of resources	95,874,390	6,957,881	(178,248)	102,654,023
Current liabilities	2,876,435	178,248	(178,248)	2,876,435
Long term liabilities	60,181,990	-	-	60,181,990
Total liabilities	63,058,425	178,248	(178,248)	63,058,425
Deferred inflows of resources	15,522	-	-	15,522
Net investment in capital assets	30,116,594	-	-	30,116,594
Restricted:				
Expendable	657,362	4,567,356	-	5,224,718
Internally Designated	500,000	-	-	500,000
Unrestricted	1,526,487	2,212,277	-	3,738,764
Total net position	32,800,443	6,779,633	-	39,580,076
Total liabilities, deferred inflows of resources, and net position	$ 95,874,390	$ 6,957,881	$ (178,248)	$ 102,654,023

III. OTHER INFORMATION (continued)

C. Condensed Combining Information (continued)

The following summarizes the combining information for the statement of revenues, expenses, and changes in net position for the year ended December 31, 2015:

	2015			
	State Fair	Foundation	Eliminations	Combined
Operating revenues:				
Fair operations	$ 11,507,486	$ -	$ -	$ 11,507,486
Non-fair operations	8,535,166	-	-	8,535,166
Total operating revenue	20,042,652	-	-	20,042,652
Operating expenses:				
Depreciation	5,259,145	-	-	5,259,145
Other operating expenses	25,142,363	253,019	(548,961)	24,846,421
Total operating expenses	30,401,508	253,019	(548,961)	30,105,566
Operating loss	(10,358,856)	(253,019)	548,961	(10,062,914)
Non-operating revenues (expenses)				
State general fund appropriations	2,573,000	-	-	2,573,000
Riverboat distributions	5,662,794	-	-	5,662,794
Pari-Mutual, off track betting disbtributions	165,665	-	-	165,665
Standardbred racing fund	1,000,000	-	-	1,000,000
Investment earnings	5,490	1,519	-	7,009
Interest expense	(2,572,359)	-	-	(2,572,359)
Grants and contributions	278,666	2,477,834	(548,961)	2,207,539
Total non-operating revenues (expenses)	7,113,256	2,479,353	(548,961)	9,043,648
Change in net position	(3,245,600)	2,226,334	-	(1,019,266)
Beginning net position (as restated)	36,046,043	4,553,299	-	40,599,342
Ending net position	$ 32,800,443	$ 6,779,633	$ -	$ 39,580,076

III. OTHER INFORMATION (continued)

C. Condensed Combining Information (continued)

The following summarizes the combining information for the statements of cash flows for the year ended December 31, 2015:

	2015			
	State Fair	Foundation	Eliminations	Combined
Cash flows from operating activities	$ (4,898,068)	$ (411,571)	$ 548,961	$ (4,760,678)
Cash flows from noncapital financing activities	9,260,124	158,875	-	9,418,999
Cash flows from capital and related financing activities	(5,539,789)	1,278,275	(548,961)	(4,810,475)
Cash flows from investing activities	6,125	1,519	-	7,644
Net change in cash and cash equivalents	(1,171,608)	1,027,098	-	(144,510)
Cash and cash equivalents at beginning of year	4,933,432	4,761,937	-	9,695,369
Cash and cash equivalents at end of year	$ 3,761,824	$ 5,789,035	$ -	$ 9,550,859

D. Pension Plan – Public Employee's Retirement fund (PERF)

Plan Description: The Commission contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (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.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

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.

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.

Financial report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

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.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

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.

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, 2015; however, eligible members received a one-time check (a.k.a. 13th check) in September 2014. The amount of the one-time check ranged from $150 to $450, depending upon a member's years of service. The September 2014 one-time check was for a member who retired or was disabled on or before December 1, 2013, and who was entitled to receive a monthly benefit on July 1, 2014.

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.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

Funding Policy: Members are 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 2015, 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 11.03 percent was required from employers during the period of July 1 – December 31, 2014, and an average contribution rate of 11.9 percent was required for the period of January 1 – June 30, 2015. 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 4.6 percent for fiscal year 2015, 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.

PERF covered employees are required to contribute 3% of their compensation to the Fund and the Commission is required to contribute amounts, which are actuarially determined, sufficient to fund the retirement benefits. The Commission contributes the 3% employee's portion. In addition, some employees elect to make additional voluntary contributions to their PERF ASA Only Plans. The contribution requirement, which was made by the Commission, was $452,597 for 2015. These total contributions represent 11.2% of covered payroll for 2015.

The following represents the Commission's annual required contributions for the last two years:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2015	$ 452,597	100%
2014	363,919	100%

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.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Asset valuation date – June 30, 2015
- Liability valuation date – June 30, 2014 – Member census data as of June 30, 2014 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014 and June 30, 2015. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2014 to the June 30, 2015 measurement date.
- Experience study date – Period of 5 years ended June 30, 2010
- Actuarial cost method – Entry age normal (level percent of payroll)
- Investment rate of return – 6.75%
- COLA – 1.0%
- Future salary increases, including inflation – 2.5% - 4.25%
- Inflation – 2.25%
- Mortality - RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report

An assumption study was performed in April 2015 resulting in an update to the following assumptions:

- Inflation decreased from 3.00% to 2.25%
- The future salary increase rate decreased from a table ranging from 3.25% to 4.50% to a table ranging from 2.50% to 4.25%
- Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report
- Retirement, Termination and Disability rates were adjusted to reflect recent experience
- The ASA Annuitization was updated from 50% of members assumed to annuitize the ASA balance to 60% of members prior to January 1, 2017

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.

Asset Class	Target Allocation %	Long-Term Expected Real Rate of Return
Public equity	22.5%	5.3%
Private equity	10.0	5.6
Fixed income – ex inflation - linked	22.0	2.1
Fixed income – inflation - linked	10.0	0.7
Commodities	8.0	2.0
Real estate	7.5	3.0
Absolute return	10.0	3.9
Risk parity	10.0	5.0
Total	100.0%	

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

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 Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the Collective Net Pension Liability	$ 4,710,778	$ 3,193,562	$ 1,933,996

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing questions@inprs.in.gov, or by visiting www.in.gov/inprs.

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.

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.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2015, the Commission reported a liability of $3,193,562 for its proportionate share of the net pension liability. The Commission's proportionate share of the net pension liability was based on the Commission's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2015 measurement date was 0.0007841. This represents a slight increase from the prior measurement date. The proportionate share used at the June 30, 2014 measurement date was 0.0007080.

D. Pension Plan – Public Employee's Retirement fund (PERF) (continued)

For the year ended December 31, 2015, the Commission recognized pension expense of $613,710, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $109,209. At December 31, 2015, the Commission 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	$ 137,083	$ 6,605
Net collective difference between projected and actual earnings on pension plan investments	238,131	-
Changes in assumptions	269,963	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	274,254	8,917
Total that will be recognized in pension expense (income) based on table below	919,431	15,522
Pension contributions subsequent to measurement date	241,345	-
Total	$ 1,160,776	$ 15,522

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2015 measurement date is recognized as a reduction of net pension liability in the year ending December 31, 2015. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2016	$ 311,384
2017	311,384
2018	146,524
2019	134,617

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PERF
December 31, 2015

		2015
Commission's proportion of the net pension liability		0.0007841
Commission's proportionate share of the net pension liability	$	3,193,562
Commission's covered-employee payroll	$	3,755,635
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll		85.03%
Plan fiduciary net position as a percentage of the total pension liability		77.30%

* The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year. An assumption study was performed in April 2015 resulting in an update to the following assumptions:

- Inflation decreased from 3.00% to 2.25%
- The future salary increase rate decreased from a table ranging from 3.25% to 4.50% to a table ranging from 2.50% to 4.25%
- Mortality changed from the 2013 IRS Static Mortality projected five (5) years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report
- Retirement, Termination and Disability rates were adjusted to reflect recent experience
- The ASA Annuitization was updated from 50% of members assumed to annuitize the ASA balance to 60% of members prior to January 1, 2017

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission is presenting information for those years for which information is available.

Measurement date: Actuarial valuation reports from the prior fiscal year.

Plan amendments. In 2014, HB 1075 impacted the PERF by reducing the Annuity Savings Account (ASA) interest crediting rate on annuities from 7.5% to 5.75% effective October 1, 2014. Effective October 1, 2015 the rate becomes the greater of 4.5% or market rate. On January 1, 2017, the ASA annuities are allowed to be outsourced to a third party provider.

	2015
Statutorily required contribution	$ 452,597
Contributions in relation to the statutorily required contribution	(452,597)
Annual contribution deficiency (excess)	$ -
The Commission's contributions as a percentage of statutorily required contribution for pension	100%
Commission's covered-employee payroll	$ 4,041,000
Contributions as a percentage of covered-employee payroll	11.2%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Commission is presenting information for those years for which information is available.

Valuation date : June 30, 2015
Actuarial cost method: Entry age normal (Level Percent of Payroll)
Amortization method: Level dollar
Remaining amortization period : 30 years, closed
Asset valuation method: 4 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.
Inflation: 2.25%
Salary increases: 2.50% - 4.25%
Investment rate of return: 6.75%
Mortality: RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2016
Other information:

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/14 was 11.17%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/15 was 10.55%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2014 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2014 and June 30, 2015. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2014 to June 30, 2015. Prior to the June 30, 2014 valuation, census data as of the valuation date was used.