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December 1, 2015

Victor P. Smith, Secretary of Commerce
Indiana Economic Development Corporation
One North Capitol, Suite 700
Indianapolis, Indiana 46204

Dear Mr. Smith:

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period July 1, 2014 to June 30, 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 Ports of Indiana as of June 30, 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 ECONOMIC DEVELOPMENT
CORPORATION**
(A Component Unit of the State of Indiana)

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

June 30, 2015

INDIANA ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the State of Indiana)

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-9
BASIC FINANCIAL STATEMENTS	
A. GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Activities	11
B. FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS:	
Balance Sheet – Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
PROPRIETARY FUNDS:	
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
C. NOTES TO FINANCIAL STATEMENTS	17-29
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the IEDC's Proportionate Share of the Net Pension Liability (Unaudited)	30
Schedule of IEDC Contributions (Unaudited)	31
OTHER REPORTS AND SUPPLEMENTARY INFORMATION	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32-33
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	36-37
Schedule of Findings and Questioned Costs	38-39

Independent Auditors' Report

Board of Directors
Indiana Economic Development Corporation

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the IEDC as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 4 through 9 and the schedule of the IEDC's proportionate share of the net pension liability and schedule of IEDC contributions on pages 30 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the IEDC's basic financial statements. The schedule of expenditures of federal awards on pages 34 and 35 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of the IEDC'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 the IEDC's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2015

As management of the Indiana Economic Development Corporation (the Corporation), we offer readers of the Corporation's basic financial statements this narrative overview and analysis of the financial activities of the Corporation and the Indiana Economic Development Foundation, Inc. (the Foundation) (together, the IEDC) for the fiscal years ended June 30, 2015 and 2014. Please read it in conjunction with the Independent Auditors' Report at the beginning of this report and the financial statements, which follow this section.

This management's discussion and analysis (MD&A) is an opportunity for management to make information concerning the IEDC meaningful and understandable. In addition to describing the IEDC and its work, this MD&A briefly analyzes, discusses or presents:

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

BACKGROUND

The Corporation is a component unit of the State of Indiana (the State) and is the State's lead economic development agency. In order to respond quickly to the needs of businesses, the Corporation operates like a business. The Corporation is organized as a public-private partnership governed by a twelve-member board. The Corporation's Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. Economic development is the main objective of the Corporation, and it has incorporated most state entities with economic development responsibilities into its organizational structure. The Corporation is also responsible for the development and implementation of the State's strategic plan for economic development.

The Foundation was established under Indiana Code 5-28 to solicit and accept private sector funding, gifts, donations, bequests, devises, and contributions. The Foundation's purpose is to assist the Governor and the Corporation in reaching their economic development goals by raising funds from the general public and nonprofit foundations and organizations.

The accompanying financial statements of the IEDC conform with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles.

FINANACIAL HIGHLIGHTS

Key financial highlights for the 2015 fiscal year include the following:

- Total revenues were \$69.4 million as compared to total expenditures of \$54.9 million.
- Total net position increased by \$14,473,000 for the fiscal year ended 2015. Revenues increased approximately \$12.1 million due to increase in appropriations. Expenses remained relatively comparable from 2014 to 2015.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the kinds of statements required by GASB that present different financial views of the IEDC:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the IEDC's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the IEDC, reporting the IEDC's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the IEDC's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the IEDC's assets, deferred outflows, liabilities, and deferred inflows, with the difference 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 IEDC is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 the statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the IEDC that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

In the government-wide financial statements, the activities of the IEDC are shown in two categories:

- Governmental Activities: The Corporation's activities are included here.
- Business-type Activities: The IEDC maintains a proprietary fund for the Foundation, which is included here.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2015

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The IEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the IEDC can be divided into two categories: governmental funds or proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The IEDC maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds, which are considered to be major funds: General, 21st Century Research & Technology, Training & Economic Development, State Small Business Credit Initiative, Industrial Development Grant, Indiana Biosciences Research, and Indiana Promotion Fund. Data from the other funds are combined into a single, aggregated presentation.

The IEDC maintains a proprietary fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Foundation.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE IEDC AS A WHOLE

Net Position

The following is condensed from the Statement of Net Position:

	Governmental Activities (Corporation)		Business-type Activities (Foundation)	
	June 30, 2015	Restated June 30, 2014	June 30, 2015	June 30, 2014
Current Assets	\$157,940,944	\$147,629,099	\$1,289,090	\$1,528,995
Capital and Noncurrent Assets	<u>48,067,570</u>	<u>37,267,309</u>	<u> </u>	<u> </u>
Total Assets	<u>206,008,514</u>	<u>184,896,408</u>	<u>1,289,090</u>	<u>1,528,995</u>
Deferred Outflows of Resources	<u>973,072</u>	<u>503,928</u>		
Current Liabilities	23,363,630	16,887,052	84,312	24,890
Noncurrent Liabilities	<u>2,421,905</u>	<u>2,570,864</u>	<u> </u>	<u> </u>
Total Liabilities	<u>25,785,535</u>	<u>19,457,916</u>	<u>84,312</u>	<u>24,890</u>
Deferred Inflows of Resources	<u>481,549</u>	<u> </u>		
Net Investment in Capital Assets	117,053	153,732		
Restricted			582,592	569,389
Unrestricted	<u>180,597,449</u>	<u>165,788,688</u>	<u>622,186</u>	<u>934,716</u>
Total Net Position	<u>\$180,714,502</u>	<u>\$165,942,420</u>	<u>\$1,204,778</u>	<u>\$1,504,105</u>

The total net position at June 30 was as follows:

	<u>2015</u>	<u>Restated 2014</u>
Assets	\$207,297,604	\$186,425,403
Deferred Outflows of Resources	973,072	503,928
Liabilities	25,869,847	19,482,806
Deferred Inflows of Resources	<u>481,549</u>	<u> </u>
Net Position	<u>\$181,919,280</u>	<u>\$167,446,525</u>

The IEDC's total net position was \$181.9 million at June 30, 2015, compared to total net position of \$167.4 million at June 30, 2014.

Total assets increased \$20.8 million during fiscal year 2015. The primary change in assets is due to an increase in cash related to increase in appropriations. Loans receivable increased due to additional convertible notes issued related to the 21st Century Research and Technology Fund. Total liabilities increased \$6.4 million during fiscal year 2015. The liabilities increased due to a \$12.5 million payable balance in the Indiana Biosciences Research Fund, which is for grants owed based on milestones being reached. Unearned revenue decreased by \$6.2 million due to allocating State Small Business Credit Initiative (SSBCI) funding to the Indiana High Growth Fund, Indiana Angel Network Fund, and Indiana Seed Fund.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) Year Ended June 30, 2015

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

Net position at June 30, 2014, as previously reported	\$169,513,461
Decrease in net position due to adoption of GASB No. 68	<u>(2,066,936)</u>
Restated Net Position at July 1, 2014	<u>\$167,446,525</u>

Change in Net Position

The following is condensed from the Statement of Activities:

	Change in Net Position Years Ended June 30,			
	Governmental Activities (Corporation)		Business-type Activities (Foundation)	
	2015	Restated 2014	2015	2014
Program Revenues				
Charges for services	\$ 332,146	\$ 188,675		
Operating grants, appropriations and contributions	66,276,201	54,398,138	\$1,021,756	\$1,202,185
General Revenues				
Gaming taxes	918,405	835,081		
Special events			285,173	540,938
Other income			57,817	1,272
Investment earnings	<u>503,960</u>	<u>100,699</u>	<u>2,364</u>	<u>1,250</u>
Total Revenues	<u>68,030,712</u>	<u>55,522,593</u>	<u>1,367,110</u>	<u>1,745,645</u>
General government	53,258,630	55,082,474		
Travel, meals and entertainment			1,461,565	934,531
Other expense			<u>204,872</u>	<u>157,097</u>
Total Expenses	<u>53,258,630</u>	<u>55,082,474</u>	<u>1,666,437</u>	<u>1,091,628</u>
Change in Net Position	14,772,082	440,119	(299,327)	654,017
Beginning Net Position	<u>165,942,420</u>	<u>165,502,301</u>	<u>1,504,105</u>	<u>850,088</u>
Ending Net Position	<u>\$180,714,502</u>	<u>\$165,942,420</u>	<u>\$1,204,778</u>	<u>\$1,504,105</u>

INDIANA ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
Year Ended June 30, 2015

The changes in net position for the years ended June 30 were as follows:

	<u>2015</u>	<u>Restated 2014</u>
Revenues	\$69,397,822	\$57,268,238
Expenses	<u>54,925,067</u>	<u>56,174,102</u>
Change in Net Position	<u>\$14,472,755</u>	<u>\$ 1,094,136</u>

Revenue increased \$12.1 million during fiscal year 2015, while expense decreased \$1.2 million. Increase in revenues are mainly due to increase in appropriations while expenses decreased mainly due to decrease in program development expenses. A significant program reached the peak in prior year, which is why program development expenses decreased from fiscal year 2014 to 2015.

CAPITAL ASSETS

By the end of fiscal year 2015, the IEDC had invested \$464,698 in capital assets. Current fiscal year depreciation on these assets was \$60,965.

	<u>2015</u>	<u>2014</u>
Capital assets	\$ 464,698	\$ 440,412
Less: Accumulated depreciation	<u>(347,645)</u>	<u>(286,680)</u>
Total	<u>\$ 117,053</u>	<u>\$ 153,732</u>

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015
Depreciable capital assets:				
Furniture and equipment	\$238,131	\$ 24,286		\$262,417
Computer software and hardware	126,182			126,182
Automobiles	<u>76,099</u>			<u>76,099</u>
Total depreciable capital assets	440,412	24,286		464,698
Less: Accumulated depreciation	<u>286,680</u>	<u>60,965</u>		<u>347,645</u>
Total Capital Assets, net	<u>\$153,732</u>	<u>\$ (36,679)</u>		<u>\$117,053</u>

Additional information on IEDC's capital assets can be found in Note 4 to the financial statements on page 23 of this report.

CONTACTING IEDC'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the IEDC's finances and to demonstrate the IEDC's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the Indiana Economic Development Corporation, One North Capitol, Suite 700, Indianapolis, IN 46204.

BASIC FINANCIAL STATEMENTS

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
CURRENT ASSETS			
Cash		\$ 826,902	\$ 826,902
Funds held by State of Indiana	\$ 157,356,706		157,356,706
Accounts receivable	343,567		343,567
Pledges receivable		462,188	462,188
Grants receivable	231,143		231,143
Interest receivable	9,528		9,528
Total Current Assets	<u>157,940,944</u>	<u>1,289,090</u>	<u>159,230,034</u>
NONCURRENT ASSETS			
Loans receivable, net	47,950,517		47,950,517
Capital assets, net	117,053		117,053
Total Noncurrent Assets	<u>48,067,570</u>		<u>48,067,570</u>
TOTAL ASSETS	<u>206,008,514</u>	<u>1,289,090</u>	<u>207,297,604</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>973,072</u>		<u>973,072</u>
CURRENT LIABILITIES			
Accounts payable	16,059,148	84,312	16,143,460
Accrued expenses	374,742		374,742
Unearned revenue	6,664,834		6,664,834
Accrued liability for compensated absences	264,906		264,906
Total Current Liabilities	<u>23,363,630</u>	<u>84,312</u>	<u>23,447,942</u>
NONCURRENT LIABILITIES			
Pension liability	2,421,905		2,421,905
Total Noncurrent Liabilities	<u>2,421,905</u>		<u>2,421,905</u>
Total Liabilities	<u>25,785,535</u>	<u>84,312</u>	<u>25,869,847</u>
DEFERRED INFLOWS OF RESOURCES	<u>481,549</u>		<u>481,549</u>
NET POSITION			
Net investment in capital assets	117,053		117,053
Restricted		582,592	582,592
Unrestricted	180,597,449	622,186	181,219,635
TOTAL NET POSITION	<u>\$ 180,714,502</u>	<u>\$ 1,204,778</u>	<u>\$ 181,919,280</u>

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government	\$ 53,258,630	\$ 332,146	\$ 66,276,201	\$ 13,349,717		\$ 13,349,717
Total Governmental Activities	<u>53,258,630</u>	<u>332,146</u>	<u>66,276,201</u>	<u>13,349,717</u>		<u>13,349,717</u>
BUSINESS-TYPE ACTIVITIES						
Foundation	1,666,437		1,367,110		\$ (299,327)	(299,327)
Total Business-Type Activities	<u>1,666,437</u>		<u>1,367,110</u>		<u>(299,327)</u>	<u>(299,327)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 54,925,067</u>	<u>\$ 332,146</u>	<u>\$ 67,643,311</u>	<u>13,349,717</u>	<u>(299,327)</u>	<u>13,050,390</u>
GENERAL REVENUES						
Gaming taxes				918,405		918,405
Investment earnings				503,960		503,960
Total General Revenues				<u>1,422,365</u>		<u>1,422,365</u>
CHANGE IN NET POSITION				14,772,082	(299,327)	14,472,755
NET POSITION - BEGINNING OF YEAR (RESTATED)				165,942,420	1,504,105	167,446,525
NET POSITION - END OF YEAR				<u>\$ 180,714,502</u>	<u>\$ 1,204,778</u>	<u>\$ 181,919,280</u>

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

ASSETS

	General	21st Century Research & Technology	Training & Economic Development	State Small Business Credit Initiative	Industrial Development Grant	Indiana Biosciences Research	Indiana Promotion Fund	Other Governmental Funds	Totals
ASSETS									
Funds held by State of Indiana	\$ 277,087	\$ 52,391,667	\$ 52,112,763	\$ 6,664,834	\$ 14,556,967	\$ 15,000,000	\$ 5,236,736	\$ 11,116,652	\$ 157,356,706
Accounts receivable							11,396	332,171	343,567
Grants receivable								231,143	231,143
Interest receivable								9,528	9,528
Loans receivable, net		24,165,000		14,168,104	4,921,312			4,696,101	47,950,517
TOTAL ASSETS	\$ 277,087	\$ 76,556,667	\$ 52,112,763	\$ 20,832,938	\$ 19,478,279	\$ 15,000,000	\$ 5,248,132	\$ 16,385,595	\$ 205,891,461

LIABILITIES AND FUND BALANCES

LIABILITIES									
Accounts payable	\$ 140,404	\$ 671,120	\$ 1,112,701	\$ 24,950	\$ 660,000	\$ 12,500,000	\$ 362,334	\$ 587,639	\$ 16,059,148
Accrued expenses	295,190	21,104	11,761					46,687	374,742
Unearned revenue				6,664,834				-	6,664,834
Total Liabilities	435,594	692,224	1,124,462	6,689,784	660,000	12,500,000	362,334	634,326	23,098,724
FUND BALANCES									
Assigned	(158,507)	75,864,443	50,988,301	14,143,154	18,818,279	2,500,000	4,885,798	15,751,269	182,792,737
Total Fund Balances	(158,507)	75,864,443	50,988,301	14,143,154	18,818,279	2,500,000	4,885,798	15,751,269	182,792,737
TOTAL LIABILITIES AND FUND BALANCES	\$ 277,087	\$ 76,556,667	\$ 52,112,763	\$ 20,832,938	\$ 19,478,279	\$ 15,000,000	\$ 5,248,132	\$ 16,385,595	\$ 205,891,461

Total Fund Balances of Governmental Funds

\$ 182,792,737

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

117,053

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

(2,421,905)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions

973,072

Deferred inflows of resources related to pensions

(481,549)

The liability for compensated absences for employees who have not left active service by June 30, 2015 and are due pending payouts.

(264,906)

Net Position of Governmental Activities

\$ 180,714,502

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General	21st Century Research & Technology	Training & Economic Development	State Small Business Credit Initiative	Industrial Development Grant	Indiana Biosciences Research	Indiana Promotion Fund	Other Governmental Funds	Totals
REVENUES									
Gaming taxes								\$ 918,405	\$ 918,405
Current service charges	\$ 9						\$ 26,468	305,669	332,146
Investment income			\$ 76,636		\$ 400,571			26,753	503,960
State appropriation and grants	6,423,392	\$ 15,914,723	12,309,150	\$ 5,727,854	2,967,656	\$ 15,000,000		7,745,510	66,088,285
Other funding	802						5,182	181,932	187,916
Total Revenues	<u>6,424,203</u>	<u>15,914,723</u>	<u>12,385,786</u>	<u>5,727,854</u>	<u>3,368,227</u>	<u>15,000,000</u>	<u>31,650</u>	<u>9,178,269</u>	<u>68,030,712</u>
EXPENDITURES									
Current:									
General government	6,878,481	528,632	12,947,183	234,334	4,253,591	12,500,000	3,722,031	12,262,693	53,326,945
Capital outlay:									
Capital outlay								24,286	24,286
Total Expenditures	<u>6,878,481</u>	<u>528,632</u>	<u>12,947,183</u>	<u>234,334</u>	<u>4,253,591</u>	<u>12,500,000</u>	<u>3,722,031</u>	<u>12,286,979</u>	<u>53,351,231</u>
NET CHANGE IN FUND BALANCES	(454,278)	15,386,091	(561,397)	5,493,520	(885,364)	2,500,000	(3,690,381)	(3,108,710)	14,679,481
FUND BALANCES - BEGINNING OF YEAR	295,771	60,478,352	51,549,698	8,649,634	19,703,643		8,576,179	18,859,979	168,113,256
FUND BALANCES - END OF YEAR	<u>\$(158,507)</u>	<u>\$75,864,443</u>	<u>\$ 50,988,301</u>	<u>\$ 14,143,154</u>	<u>\$18,818,279</u>	<u>\$ 2,500,000</u>	<u>\$4,885,798</u>	<u>\$ 15,751,269</u>	<u>\$ 182,792,737</u>

Net Change in Fund Balances of Governmental Funds \$ 14,679,481

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (36,679)

Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions 497,256

Cost of benefits earned net of employee contributions (360,702)

The change in the liability for compensated absences reported in the statement of net position that does not require the use of current financial resources is not reported as an expenditure in the funds. (7,274)

Change in Net Position of Governmental Activities \$ 14,772,082

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2015

	<u>Foundation</u>
ASSETS	
Current Assets	
Cash	\$ 826,902
Pledges receivable	<u>462,188</u>
TOTAL ASSETS	<u>\$ 1,289,090</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>\$ 84,312</u>
Total Liabilities	<u>84,312</u>
NET POSITION	
Restricted	582,592
Unrestricted	<u>622,186</u>
Total Net Position	<u>1,204,778</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,289,090</u>

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Foundation
OPERATING REVENUES	
Contributions	\$ 1,021,756
Investment earnings	2,364
Special events	285,173
Other income	57,817
Total Operating Revenues	1,367,110
OPERATING EXPENSES	
Travel, meals and entertainment	1,461,565
Other expense	204,872
Total Operating Expenses	1,666,437
CHANGE IN NET POSITION	(299,327)
NET POSITION - BEGINNING OF YEAR	1,504,105
NET POSITION - END OF YEAR	\$ 1,204,778

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015**

	<u>Foundation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions	\$ 715,568
Investment earnings	2,364
Special events	285,173
Other income	57,817
Other operating expenses	<u>(1,607,015)</u>
Net Cash Used by Operating Activities	<u>(546,093)</u>
NET DECREASE IN CASH	(546,093)
CASH	
Beginning of Year	<u>1,372,995</u>
End of Year	<u><u>\$ 826,902</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (299,327)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in certain assets:	
Pledges receivable	(306,188)
Changes in certain liabilities:	
Accounts payable	<u>59,422</u>
Net Cash Used by Operating Activities	<u><u>\$ (546,093)</u></u>

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: By Indiana Code 5-28, the Indiana General Assembly created the Indiana Economic Development Corporation (the Corporation), a component unit of the State of Indiana (the State), as a separate corporation. The Corporation is the lead economic development agency for the State. The Corporation is organized as a public-private partnership governed by a twelve-member board. The Corporation's Board of Directors is chaired by the Governor of Indiana and reflects the geographic and economic diversity of Indiana. The Corporation focuses its efforts on growing and retaining businesses in Indiana and attracting new business to the State. The Corporation is also responsible for the development and implementation of Indiana's strategic plan for economic development. The Corporation along with its blended component unit (collectively, the IEDC) is a component unit to be included in the State's Comprehensive Annual Financial Report, because it was established as a separate body, corporate and politic (not a state agency). 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: Indiana Code 5-28, also authorized the Indiana Economic Development Foundation, Inc. (the Foundation) as a nonprofit under common control of the Corporation to solicit and accept private sector funding, gifts, donations, bequests, devises, and contributions. The Foundation's purpose is to assist the Governor and the Corporation in reaching their economic development goals by raising funds from the general public and nonprofit foundations and organizations. The Corporation is considered to be financially accountable for the Foundation and, in substance, the Foundation is part of the Corporation's operations even though the Foundation is a legally separate entity. The Foundation is therefore presented as a blended component unit of the Corporation.

Basis of Presentation: The accompanying financial statements of the IEDC conforms with accounting principles generally accepted in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) document these principles.

Government-Wide Financial Statements: The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all activities of the IEDC. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The IEDC reports seven major governmental funds, and the descriptions of these funds are noted below:

General: The primary operating fund for the Corporation that supports the administrative functions of the IEDC.

21st Century Research & Technology: Facilitates the operation of the 21st Century Research & Technology Fund. This Fund was created in 1999 by the General Assembly to stimulate diversification of the State's economy by developing and commercializing advanced technologies in Indiana. The goal of this fund is to support the resolution of next stage capital formation issues by co-investing with institutional investors in order to further build innovative, high impact, high growth companies.

Training & Economic Development: Funds the Training 2000 Program, also known as the Skills Enhancement Fund (SEF). The SEF is a tool to encourage companies to invest in their existing workforce and to train new employees. This fund provides reimbursement for eligible training expenses over a two year term and is important for job creation and the continued improvement of the Hoosier workforce skills. Training funds are obligated at the time the Corporation makes a preliminary offer, but there are still reporting requirements that must be met to receive reimbursement of training costs. The fund balance of \$50,988,301 had commitments of \$47,580,452 (93.3%) as of June 30, 2015.

State Small Business Credit Initiative: This fund facilitates the implementation of the federal State Small Business Credit Initiative (SSBCI), which was created by the Small Business Jobs Act of 2010 and focuses on providing capital to small businesses.

Industrial Development Grant: This fund finances the Industrial Development Grant Fund (IDGF). The IDGF provides financial support for infrastructure improvements in conjunction with projects creating jobs and generating capital investment in Indiana. This grant provides money to local governments for off-site infrastructure projects associated with an expansion of an existing Indiana company or the location of a new facility in Indiana. IDGF was established by Indiana Code 5-28-25 and is one of the IEDC's core economic development tools.

Indiana Biosciences Research: This fund is a biennium allocation up to \$25 million from the general fund as one of the State's advocacy to support Indiana BioSciences Research Institute initiatives.

Indiana Promotion Fund: This fund supports the IEDC's mission, allows the IEDC to operate in a business like manner, and offers the flexibility necessary to drive economic development in Indiana. Indiana Code 5-28-5-12 specifies the basis for the Indiana Promotion Fund. The IEDC Board of Directors approved a resolution which authorizes the President and other officers of the Corporation to use the financial resources of the Indiana Promotion Fund for all proper corporate purposes, and for economic development activities with the approval of the Director of the State Budget Agency.

The IEDC reports one proprietary fund for the Foundation operations.

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

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interfund activity between funds included in governmental activities is eliminated within the governmental activities column.

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

Net position at June 30, 2014, as previously reported	\$169,513,461
Decrease in net position due to adoption of GASB No. 68	<u>(2,066,936)</u>
Restated Net Position at July 1, 2014	<u>\$167,446,525</u>

Estimates: Management uses estimates and assumptions in preparing financial statements in conformity 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.

Deferred Outflows of Resources: Deferred outflows of resources reported at June 30, 2015, related to the defined benefit pension plan, including contributions made to the Plan between the measurement date of the net pension liability and the end of the Corporation's fiscal year, changes in the Corporation's allocated proportion from the previous year, and differences between the Corporation's contributions to the Plan and its proportionate share. The amounts related to changes in the Corporation's allocated proportion from the previous year and differences between the Corporation's contributions to the Plan and its proportionate share are being amortized into pension expense over four years.

Deferred Inflow of Resources: Deferred inflows of resources reported at June 30, 2015, related to the defined benefit pension plan, including actual pension plan investment earnings in excess of the expected amounts and the difference between expected and actual experience on the pension plan included in determining pension expense. These amounts are being amortized into pension expense over four years.

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

- The Net Investment in Capital Assets component consists of property that the IEDC acquired, net of any related debt.
- The Restricted Net Position component represents net position with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in the GASB Codification.
- The Unrestricted Net Position component consists of net position that does not meet the definition of the preceding two components.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds: Fund balances can be displayed in five components:

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

When both restricted and unrestricted resources are available for use, the IEDC's policy is to use restricted resources first, then unrestricted resources as they are needed.

Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. There have been no losses in such accounts. Custodial credit risk is the risk that in the event of bank failure, the IEDC deposits may not be returned to it. As of June 30, 2015, there are no deposit balances exposed to custodial credit risk as amounts held at each institution do not exceed federally insured limits.

Funds Held by the State of Indiana are maintained and invested by the State for the IEDC.

Grants and Accounts Receivable consist of amounts billed or billable for services provided, net of an allowance for doubtful accounts, if determined to be necessary. Grants and accounts receivable are recorded at net realizable value when earned. Grant revenue is recognized as earned as the eligible expenses are incurred or activities are completed.

Payments from the State were \$46,354,475 during fiscal year June 30, 2015.

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

Loans Receivable are carried at the principal amount outstanding, net of an allowance for doubtful accounts. Interest income is accrued on the principal balance of the loans, when deemed to be collectible. The IEDC's source of funding for loans is from State appropriations and grants. Because there are a small number of loans outstanding, management estimates the allowance for loan loss by identifying specific troubled loans. The determination of the adequacy of the allowance for loan loss is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. At June 30, 2015, the allowance for loan loss was \$8,055,969. Management believes that as of June 30, 2015, the allowance for loan losses is adequate based on information currently available.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets: Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The IEDC provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Furniture and equipment	5-7 years
Automobiles	8 years
Computer software and hardware	3 years

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

Pension Plan: The employees of the Corporation participate in the Indiana Public Retirement System (INPRS). The Corporation recognizes its proportionate share of the collective net pension liability, deferred outflows, and deferred inflows of resources related to pensions and pension expense. See Note 6.

Subsequent Events: The IEDC has evaluated the financial statements for subsequent events occurring through October 23, 2015, the date the financial statements were available to be issued.

NOTE 2 - RELATED PARTIES

Indiana 21st Century Fund, LP (the 21 Fund) was formed on August 25, 2011. The 21 Fund was formed for the purpose of encouraging the formation and growth of investor groups and investments across the State, including a focus on Indiana's distressed regions and populations, in order to foster and promote the development of entrepreneurs and emerging companies within Indiana in support of Indiana's economy and its creation and retention of jobs. The 21 Fund will give the charitable and governmental purposes of its partners priority over maximizing profits and any other commercial interests which may arise as a result of its investments in awardees.

The Foundation is a limited partner that holds a 45% interest in the 21 Fund. The general partner is Elevate Advisors, LLC, which has a 10% interest, and the other limited partner is Elevate Ventures, Inc., which has a 45% interest. The Foundation is not liable for any loss of the 21 Fund as a limited partner. The Foundation's capital account is not in a deficit position at June 30, 2015, however management does not believe equity of the fund has material value at June 30, 2015. Therefore, no asset or liability is recorded in the statement of net position for this interest.

Under the SSBCI Program, the Department of Treasury awarded certain funds to the State for allocation and investment within its 21 Fund State venture capital program with administration by the IEDC. The contract is not considered federal funding for the purposes of the Office of Management and Budget Circular A-133 requirements. These funds have been allocated for investment within each of the LLCs referenced below which are all wholly-owned by the 21 Fund.

- Indiana Angel Network Fund, LLC (the IAN Fund) is a source of seed capital dedicated to discovering and nurturing emerging, high-potential, innovation-based companies within the State. The IAN Fund supports direct seed and early-stage investment in Indiana companies alongside qualified angel and other investors.
- Indiana Seed Fund Holdings, LLC (the ISFH Fund) is a source of capital for the formation and growth of angel, seed, and venture capital funds for making investments in startup and early-stage, high-potential companies in the State. The ISFH Fund is a fund of funds and supports investment in earlier-stage Indiana companies.

NOTE 2 - RELATED PARTIES (CONTINUED)

- Indiana High Growth Fund, LLC (the IHG Fund) is a source of capital for the building of high-growth capital pools or funds dedicated to making investments in emerging, high-potential companies within the State. The IHG Fund is a fund of funds and supports investments in growing Indiana companies.

NOTE 3 - LOANS RECEIVABLE

The IEDC has convertible loans receivable from the 21 Fund, with a maturity date of the dissolution date of the 21 Fund. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the loans into a limited partner interest in the 21 Fund. The loans accrue interest at a simple rate of 1% per year. No payments are due until the maturity date, at which time all accrued interest will be paid first, followed by any outstanding principal of the loan. Prepayments of the loans are not allowed without the IEDC's approval.

The loans receivable have been used by the 21 Fund to issue notes to Indiana companies. The notes have stated interest rates ranging from 0% to 8% that compound annually or do not compound. The notes are generally unsecured and usually can be converted into shares of stock of the respective companies. Notes issued to these companies have maturity dates ranging from February 2016 to March 2022. Generally, principal and interest payments are not allowed on the notes until the maturity date.

Additionally, for any note that becomes impaired, the IEDC may forgive a portion of the loans receivable equal to the principal of the note receivable and accrued interest up to 1% per year of the principal balance, less any proceeds received from the note receivable. In addition, an allowance for uncollectible accounts is determined by management based upon specific circumstances, knowledge of Indiana companies that hold notes and general economic conditions. At June 30, 2015, the loan allowance totaled \$8,055,969 for all funds.

The IAN Fund has a loan agreement in place for available principal of \$9,500,000 that is a convertible note payable to the IEDC with a maturity date of August 2, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IAN Fund. The note accrues interest at a simple rate of 1% per year. No payments are required until September 30, 2017. At June 30, 2015, the IAN Fund had drawn \$8,108,779 on this note.

The IHG Fund has a loan agreement in place for available principal of \$6,000,000 that is a convertible note payable to the IEDC with a maturity date of December 20, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the IHG Fund. The note accrues interest at a simple rate of 1% per year. No payments are required until September 30, 2017. At June 30, 2015, the IHG Fund had drawn \$4,254,325 on this note.

The ISFH Fund has a loan agreement in place for available principal of \$5,500,000 that is a convertible note payable to the IEDC with a maturity date of December 20, 2025. At any time before the maturity date, the IEDC can convert the outstanding principal and interest of the note into shares of the ISFH Fund. The note accrues interest at a simple rate of 1% per year. No payments are required until September 30, 2017. At June 30, 2015, the ISFH Fund had drawn \$2,105,000.

NOTE 4 - CAPITAL ASSETS

Capital assets used in governmental activities for the year ended June 30, 2015, were as follows:

	Balance at July 1, 2014	Additions	Retirements	Balance at June 30, 2015
Depreciable capital assets:				
Furniture and equipment	\$238,131	\$ 24,286		\$262,417
Computer software and hardware	126,182			126,182
Automobiles	<u>76,099</u>			<u>76,099</u>
Total depreciable capital assets	440,412	24,286		464,698
Less: Accumulated depreciation	<u>286,680</u>	<u>60,965</u>		<u>347,645</u>
Total Capital Assets, net	<u>\$153,732</u>	<u>\$(36,679)</u>	<u>\$</u>	<u>\$117,053</u>

NOTE 5 - NET POSITION RESTRICTED

Restricted net position at June 30, 2015, consisted of the following:

Conferences and sales trips	\$ 411,979
Promote meetings and opportunities in Indiana	92,694
Defense study	53,000
China and United States Training Program	<u>24,919</u>
Total Restricted Net Position	<u>\$ 582,592</u>

NOTE 6 - BENEFIT PLAN

Plan Description

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

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

NOTE 6 - BENEFIT PLAN (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. 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 ASAs. 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' ASAs are individually directed and controlled by plan participants who direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

Retirement Benefits – Defined Benefit Pension

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

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

NOTE 6 - BENEFIT PLAN (CONTINUED)

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

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

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

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

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

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

NOTE 6 - BENEFIT PLAN (CONTINUED)

Significant Actuarial Assumptions

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

Asset valuation date – June 30, 2014

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

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

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

Investment rate of return – 6.75%

COLA – 1.0%

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

Inflation – 3.0%

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

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

NOTE 6 - BENEFIT PLAN (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 Discount Rate (6.75%)	1% Increase (7.75%)
<u>\$ 3,887,985</u>	<u>\$ 2,421,905</u>	<u>\$ 1,179,756</u>

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.

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.

NOTE 6 - BENEFIT PLAN (CONTINUED)

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.

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 than 3 percent and not be greater than the normal cost of the fund which was 4.7 percent for fiscal year 2014 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

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

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

At June 30, 2015, the IEDC reported a liability of \$2,421,905 for its proportionate share of the net pension liability. The IEDC's proportionate share of the net pension liability was based on the IEDC's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2014 measurement date was 0.09216%.

NOTE 6 - BENEFIT PLAN (CONTINUED)

For the year ended June 30, 2015, the IEDC recognized pension expense of \$360,702, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$135,948. At June 30, 2015, the IEDC reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 10,868
Net difference between projected and actual earnings on pension plan investments		470,681
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>\$475,816</u>	_____
Total that will be recognized in pension expense (income) based on table below	475,816	481,549
Pension contributions subsequent to measurement date	<u>497,256</u>	_____
Total	<u>\$973,072</u>	<u>\$481,549</u>

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

Year Ending June 30,	Amount
2015	\$15,173
2016	15,173
2017	15,173
2018	<u>(51,252)</u>
	<u>\$ (5,733)</u>

NOTE 7 - OPERATING LEASES

The IEDC leases office space under non-cancelable leases with terms in excess of one year. The following is a schedule of the future minimum rentals under the leases as of June 30, 2015:

Payable In	Rental Payments
2016	\$281,514
2017	265,588
2018	<u>44,264</u>
Total	<u>\$591,366</u>

In addition to the minimum lease payments, the IEDC is required to pay a proportional share of operating costs. The aggregate rental expense was \$283,719 for the year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANA ECONOMIC DEVELOPMENT CORPORATION

**SCHEDULE OF THE IEDC'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)**

**PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years***

	2014
IEDC's proportion of the net pension liability	0.09216%
IEDC's proportionate share of the net pension liability	\$ 2,421,905
IEDC's covered-employee payroll	\$ 4,499,353
IEDC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	53.83%
Plan fiduciary net position as a percentage of the total pension liability	84.30%

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

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF IEDC CONTRIBUTIONS (UNAUDITED)

PUBLIC EMPLOYEES' RETIREMENT FUND

Last 10 Fiscal Years*

	2014
Contractually required contribution	\$ 503,928
Contributions in relation to the contractually required contribution	<u>\$ 503,928</u>
Contribution deficiency	\$ -
IEDC's covered-employee payroll	\$ 4,499,353
Contributions as a percentage of covered-employee payroll	11.20%

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

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

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

Board of Directors
Indiana Economic Development Corporation

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 the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Economic Development Corporation, a component unit of the State of Indiana, and the Indiana Economic Development Foundation, Inc. (collectively, the IEDC) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the IEDC'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the IEDC'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 preceding paragraph 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 IEDC'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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 23, 2015

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor	<u>Federal CFDA Number</u>	<u>Amount Passed- Through to Subrecipients</u>	<u>IEDC's Expenditures</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF COMMERCE				
Manufacturing Extension Partnership	11.611	\$ 625,920		\$ 625,920
U.S. SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers	59.037		\$ 1,479,335	<u>1,479,335</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 2,105,255</u></u>

See accompanying notes to schedule of expenditures of federal awards.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Indiana Economic Development Corporation (the IEDC). The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the IEDC, it is not intended to and does not present the net position, changes in net position, or cash flows of the IEDC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

*Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133*

Board of Directors
Indiana Economic Development Corporation

Report on Compliance for Each Major Federal Program

We have audited the Indiana Economic Development Corporation's, a component unit of the State of Indiana, and the Indiana Economic Development Foundation, Inc.'s (collectively, the IEDC) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the IEDC's major federal programs for the year ended June 30, 2015. The IEDC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the IEDC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IEDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the IEDC's compliance.

Opinion on Each Major Federal Program

In our opinion, the IEDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the IEDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the IEDC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the IEDC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
October 23, 2015

INDIANA ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported
- Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified? _____ yes none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

_____ yes no

Identification of major programs:

CFDA

Numbers Name of Federal Program

59.037 Small Business Development Centers

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes no

INDIANA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2015

Financial Statement Findings

None

Major Federal Award Programs Audit Findings and Questioned Costs

None