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, 2016

KATZ
SAPPER
& MILLER

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

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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 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, 2016, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Uniform Compliance Guidelines for Audit of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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, 2016, 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 of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of the IEDC's proportionate share of the net pension liability and schedule of IEDC contributions on pages 29 and 30 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 of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, 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
November 4, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

INDIANA ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
Year Ended June 30, 2016

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, 2016 and 2015. Please read it in conjunction with the Independent Auditors' Report at the beginning of this report and the financial statements, which follow this section.

This 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 IEDC was created to improve the quality of life for the citizens of Indiana by encouraging the diversification of Indiana's economy and the orderly economic development and growth of Indiana, the creation of new jobs, the retention of existing jobs, the growth and modernization of existing industry, and the promotion of Indiana. The IEDC leads the state of Indiana's economic development efforts, helping businesses launch, grow and locate in the state. The IEDC manages many initiatives, including performance-based tax credits, workforce training grants, innovation and entrepreneurship resources, public infrastructure assistance, and talent attraction and retention efforts. The IEDC's Board of Directors is composed of 12 members, consisting of the Governor and 11 individuals appointed by the Governor. At least five members of the board must belong to the same political party as the Governor, and at least three members must belong to another major political party, but none may be members of the general assembly. The IEDC is reported as a non-major discretely presented governmental component unit.

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 of America 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 2016 fiscal year include the following:

- Total revenues were $174.8 million as compared to total expenditures of $75.0 million.

- Total net position increased by approximately $99.8 million for the fiscal year ended 2016. Revenues increased approximately $105.4 million due to increase in appropriations for the Regional Cities Initiative. Expenses increased approximately $20.1 million due to increase in grants given to cities and universities.

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.

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, Business Promotions Program, 21^{st} Century Research & Technology, Training & Economic Development, Industrial Development Grant, Regional Cities Initiative, and State Small Business Credit Initiative. 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.

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, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Current Assets	$263,403,860	$157,940,944	$1,016,073	$1,289,090
Capital and Noncurrent Assets	53,318,184	48,067,570		
Total Assets	316,722,044	206,008,514	1,016,073	1,289,090
Deferred Outflows of Resources	1,835,757	973,072		
Current Liabilities	33,796,947	23,363,630	178,575	84,312
Noncurrent Liabilities	3,367,883	2,421,905		
Total Liabilities	37,164,830	25,785,535	178,575	84,312
Deferred Inflows of Resources	534,041	481,549		
Net Investment in Capital Assets	102,503	117,053		
Restricted			445,643	582,592
Unrestricted	280,756,427	180,597,449	391,855	622,186
Total Net Position	$280,858,930	$180,714,502	$ 837,498	$1,204,778

The total net position at June 30 was as follows:

	2016	**2015**
Assets	$317,738,117	$207,297,604
Deferred Outflows of Resources	1,835,757	973,072
Liabilities	37,343,405	25,869,847
Deferred Inflows of Resources	534,041	481,549
Net Position	$281,696,428	$181,919,280

The IEDC's total net position was $281.7 million at June 30, 2016, compared to total net position of $181.9 million at June 30, 2015.

Total assets increased $110.4 million during fiscal year 2016. The primary change in assets is due to an increase in cash related to increase in appropriations for the Regional Cities Initiative. Total liabilities increased $11.5 million during fiscal year 2016. Unearned revenue increased significantly due to the State Small Business Credit Initiative (SSBCI) receiving additional funds to be able to allocate 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, 2016

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)**	
	2016	**2015**	**2016**	**2015**
Program Revenues				
Charges for services	$ 715,829	$ 332,146		
Operating grants, appropriations and contributions	170,584,325	66,276,201	$1,341,549	$1,021,756
General Revenues				
Gaming taxes	1,573,217	918,405		
Special events			214,160	285,173
Other income			120,196	57,817
Investment earnings	255,433	503,960	1,994	2,364
Total Revenues	173,128,804	68,030,712	1,677,899	1,367,110
General government	72,984,376	53,258,630		
Travel, meals and entertainment			1,208,516	1,524,261
Administration			381,967	39,385
Sponsorships			393,829	54,858
Other expense			60,867	47,933
Total Expenses	72,984,376	53,258,630	2,045,179	1,666,437
Change in Net Position	100,144,428	14,772,082	(367,280)	(299,327)
Beginning Net Position	180,714,502	165,942,420	1,204,778	1,504,105
Ending Net Position	$280,858,930	$180,714,502	$ 837,498	$1,204,778

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

	2016	2015
Revenues	$174,806,703	$69,397,822
Expenses	75,029,555	54,925,067
Change in Net Position	$ 99,777,148	$14,472,755

Revenue increased $105.4 million during fiscal year 2016, while expense increased $20.1 million. Increase in revenues are mainly due to increase in appropriations for the Regional Cities Initiative while expenses increased due to increase in grants given to cities and universities during fiscal year 2016.

CAPITAL ASSETS

By the end of fiscal year 2016, the IEDC had invested $492,972 in capital assets. Current fiscal year depreciation on these assets was $42,824.

	2016	2015
Capital assets	$ 492,972	$ 464,698
Less: Accumulated depreciation	(390,469)	(347,645)
Total	$ 102,503	$ 117,053

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016
Depreciable capital assets:				
Furniture and equipment	$262,417			$262,417
Computer software and hardware	126,182			126,182
Automobiles	76,099	$ 28,274		104,373
Total depreciable capital assets	464,698	28,274		492,972
Less: Accumulated depreciation	347,645	42,824		390,469
Total Capital Assets, net	$117,053	$(14,550)		$102,503

Additional information on IEDC's capital assets can be found in Note 4 to the financial statements on page 22 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total Activities
CURRENT ASSETS			
Cash		$ 913,363	$ 913,363
Funds held by State of Indiana	$ 262,895,909		262,895,909
Accounts receivable	506,784		506,784
Pledges receivable		102,710	102,710
Interest receivable	1,167		1,167
Total Current Assets	263,403,860	1,016,073	264,419,933
NONCURRENT ASSETS			
Loans receivable, net	53,215,681		53,215,681
Capital assets, net	102,503		102,503
Total Noncurrent Assets	53,318,184		53,318,184
TOTAL ASSETS	316,722,044	1,016,073	317,738,117
DEFERRED OUTFLOWS OF RESOURCES	1,835,757		1,835,757
CURRENT LIABILITIES			
Accounts payable	18,878,980	178,575	19,057,555
Accrued expenses	204,692		204,692
Unearned revenue	14,451,695		14,451,695
Accrued liability for compensated absences	261,580		261,580
Total Current Liabilities	33,796,947	178,575	33,975,522
NONCURRENT LIABILITIES			
Pension liability	3,367,883		3,367,883
Total Noncurrent Liabilities	3,367,883		3,367,883
Total Liabilities	37,164,830	178,575	37,343,405
DEFERRED INFLOWS OF RESOURCES	534,041		534,041
NET POSITION			
Net investment in capital assets	102,503		102,503
Restricted		445,643	445,643
Unrestricted	280,756,427	391,855	281,148,282
TOTAL NET POSITION	$ 280,858,930	$ 837,498	$ 281,696,428

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Total
PRIMARY GOVERNMENT						
GOVERNMENTAL ACTIVITIES						
General government	$ 72,984,376	$ 715,829	$ 170,584,325	$ 98,315,778		$ 98,315,778
Total Governmental Activities	72,984,376	715,829	170,584,325	98,315,778		98,315,778
BUSINESS-TYPE ACTIVITIES						
Foundation	2,045,179		1,677,899		$ (367,280)	(367,280)
Total Business-Type Activities	2,045,179		1,677,899		(367,280)	(367,280)
TOTAL PRIMARY GOVERNMENT	$ 75,029,555	$ 715,829	$ 172,262,224	98,315,778	(367,280)	97,948,498
GENERAL REVENUES						
Gaming taxes				1,573,217		1,573,217
Investment earnings				255,433		255,433
Total General Revenues				1,828,650		1,828,650
CHANGE IN NET POSITION				100,144,428	(367,280)	99,777,148
NET POSITION - BEGINNING OF YEAR				180,714,502	1,204,778	181,919,280
NET POSITION - END OF YEAR				$ 280,858,930	$ 837,498	$ 281,696,428

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

ASSETS

	General	Business Promotions Program	21st Century Research & Technology	Skills Enhancement Fund	Industrial Development Grant	Regional Cities Fund	State Small Business Credit Initiative	Other Funds	Totals
ASSETS									
Funds held by State of Indiana	$ 735,353	$ 6,783,564	$ 43,863,637	$48,668,014	$10,888,881	$ 125,640,000	$ 14,451,695	$ 11,864,765	$ 262,895,909
Accounts receivable	695							506,089	506,784
Interest receivable				1,167					1,167
Loans receivable, net			25,327,498		6,880,644		16,656,038	4,351,501	53,215,681
TOTAL ASSETS	$ 736,048	$ 6,783,564	$ 69,191,135	$48,669,181	$17,769,525	$ 125,640,000	$ 31,107,733	$ 16,722,355	$ 316,619,541
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	$ 283,439	$ 477,250	$ 326,316	$ 6,400,350	$ 1,981,634	$ 9,183,336	$ -	$ 226,655	$ 18,878,980
Accrued expenses	145,859	13,111	38,820	6,018				884	204,692
Unearned revenue							14,451,695		14,451,695
Total Liabilities	429,298	490,361	365,136	6,406,368	1,981,634	9,183,336	14,451,695	227,539	33,535,367
FUND BALANCES									
Assigned	306,750	6,293,203	68,825,999	42,262,813	15,787,891	116,456,664	16,656,038	16,494,816	283,084,174
Total Fund Balances	306,750	6,293,203	68,825,999	42,262,813	15,787,891	116,456,664	16,656,038	16,494,816	283,084,174
TOTAL LIABILITIES AND FUND BALANCES	$ 736,048	$ 6,783,564	$ 69,191,135	$48,669,181	$17,769,525	$ 125,640,000	$ 31,107,733	$ 16,722,355	$ 316,619,541

Total Fund Balances of Governmental Funds	$ 283,084,174
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.	102,503
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,367,883)
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	1,835,757
Deferred inflows of resources related to pensions	(534,041)
The liability for compensated absences for employees who have not left active service by June 30, 2016 and are due pending payouts.	(261,580)
Net Position of Governmental Activities	$ 280,858,930

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	General	Business Promotions Program	21st Century Research & Technology	Skills Enhancement Fund	Industrial Development Grant	Regional Cities Fund	State Small Business Credit Initiative	Other Funds	Totals
REVENUES									
Gaming taxes								$ 1,573,217	$ 1,573,217
Current service charges	$ 695							715,134	715,829
Investment income				$ 67,245	$ 181,224			6,964	255,433
State appropriation and grants	6,926,507	$ 11,420,360	$ 9,570,000	7,198,579	4,949,430	$ 126,000,000	$ 3,913,375	234,598	170,212,849
Other funding								371,476	371,476
Total Revenues	6,927,202	11,420,360	9,570,000	7,265,824	5,130,654	126,000,000	3,913,375	2,901,389	173,128,804
EXPENDITURES									
Current:									
General government	6,461,945	4,771,522	16,608,444	15,991,312	8,161,042	9,543,336	1,400,491	9,871,001	72,809,093
Capital outlay:									
Capital outlay								28,274	28,274
Total Expenditures	6,461,945	4,771,522	16,608,444	15,991,312	8,161,042	9,543,336	1,400,491	9,899,275	72,837,367
NET CHANGE IN FUND BALANCES	465,257	6,648,838	(7,038,444)	(8,725,488)	(3,030,388)	116,456,664	2,512,884	(6,997,886)	100,291,437
FUND BALANCES - BEGINNING OF YEAR	(158,507)	(355,635)	75,864,443	50,988,301	18,818,279		14,143,154	23,492,702	182,792,737
FUND BALANCES - END OF YEAR	$ 306,750	$ 6,293,203	$ 68,825,999	$ 42,262,813	$ 15,787,891	$ 116,456,664	$ 16,656,038	$ 16,494,816	$ 283,084,174

Net Change in Fund Balances of Governmental Funds	$ 100,291,437
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.	(14,550)
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	498,568
Cost of benefits earned net of employee contributions	(634,353)
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.	3,326
Change in Net Position of Governmental Activities	$ 100,144,428

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	Foundation
ASSETS	
Current Assets	
Cash	$ 913,363
Pledges receivable	102,710
TOTAL ASSETS	$ 1,016,073
LIABILITIES	
Current Liabilities	
Accounts payable	$ 178,575
Total Liabilities	178,575
NET POSITION	
Restricted	445,643
Unrestricted	391,855
Total Net Position	837,498
TOTAL LIABILITIES AND NET POSITION	$ 1,016,073

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Foundation
OPERATING REVENUES	
Contributions	$ 1,341,549
Investment earnings	1,994
Special events	214,160
Other income	120,196
Total Operating Revenues	1,677,899
OPERATING EXPENSES	
Travel, meals and entertainment	1,208,516
Administration	381,967
Sponsorships	393,829
Other expense	60,867
Total Operating Expenses	2,045,179
CHANGE IN NET POSITION	(367,280)
NET POSITION - BEGINNING OF YEAR	1,204,778
NET POSITION - END OF YEAR	$ 837,498

See accompanying notes.

INDIANA ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions	$ 1,701,027
Investment earnings	1,994
Special events	214,160
Other income	120,196
Operating expenses	(1,950,916)
Net Cash Provided by Operating Activities	86,461
NET INCREASE IN CASH	86,461
CASH	
Beginning of Year	826,902
End of Year	$ 913,363
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	$ (367,280)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Changes in certain assets:	
Pledges receivable	359,478
Changes in certain liabilities:	
Accounts payable	94,263
Net Cash Provided by Operating Activities	$ 86,461

See accompanying notes.

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: By Indiana Code 5-28, the Indiana General Assembly created 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 of America 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: This fund supports the administrative functions of the IEDC. It provides the funding for overhead and operating costs. IC 5-28-3 established the IEDC in February 2005 which transferred the duties and powers of the Department of Commerce, the 21st Century Research and Technology Fund board, the Steel Industry Advisory Commission, the Enterprise Zone board, the Small Business Development Corporation, the Film Commission, and the Business Modernization and Technology Corporation to the IEDC.

Business Promotions Program: This fund supports the marketing, communications, and promotion efforts of the IEDC. This funding is used to promote Indiana and its business-friendly climate to both national and international companies. IC 5-28-6-1 outlines IEDC's duty to market Indiana to businesses worldwide.

21st Century Research & Technology: Facilitates the operation of the 21st Century Research and Technology Fund. The Indiana 21st Century Research and Technology 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 the 21st Century Fund is to expand public private partnerships to foster innovation, leverage entrepreneur activities in Indiana, and create new partnerships between universities and businesses. Such partnerships will position Indiana as a welcoming entrepreneurial environment that embraces innovation and the entrepreneurial spirit.

Skills Enhancement Fund: 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. SEF provides reimbursement for eligible training expenses over a two year term. IC 5-28-7 specifies the funding and parameters of the program. The SEF grant is an integral economic development tool which is important for job creation and the continued enhancement of Hoosier human capital. 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 $42,262,813 had commitments of $35,844,545 (84.8%) as of June 30, 2016.

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 IC 5-28-25 and is one of the IEDC's core economic development tools.

Regional Cities Fund: This Fund supports economic development and quality of life initiatives by providing grants and loans to Regional Development Authorities. In fiscal year 2016, 3 Regional Development Authorities were selected as recipients of Regional Cities grants based on comprehensive development plans submitted to and approved by the Strategic Review Committee. Monies from this fund serve as an additional economic development tool for Regional Development Authorities with their purpose designed to foster additional regional collaboration, leverage local and private investment, and provide additional economic benefit to the State of Indiana.

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.

The IEDC reports one proprietary fund for the Foundation operations.

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

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.

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.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United State of America. 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, 2016, 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, 2016, 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, 2016, 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.

Revenue recognized related to receiving payments from the State was $165,299,474 from State appropriations and grants and $1,573,217 from gaming taxes during fiscal year 2016.

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, 2016.

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, 2016, the allowance for loan loss was $9,473,849. Management believes that as of June 30, 2016, 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 November 4, 2016, 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, 2016, however management does not believe equity of the fund has material value at June 30, 2016. 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 Single Audit 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 net convertible loans receivable from the 21 Fund totaling $25,327,498, including an allowance of $4,200,000, at June 30, 2016, 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 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. 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, 2016, the loan allowance totaled $9,473,849 for all funds.

The IAN Fund has a loan agreement in place for available principal of $10,500,000 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, 2016, the IAN Fund had drawn $9,783,857 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, 2016, the ISFH Fund had drawn $3,424,000.

The IHG Fund has a loan agreement in place for available principal of $5,000,000 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, 2016, the IHG Fund had drawn $4,998,161 on this note.

NOTE 4 - CAPITAL ASSETS

Capital assets used in governmental activities for the year ended June 30, 2016, were as follows:

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016
Depreciable capital assets:				
Furniture and equipment	$262,417			$262,417
Computer software and hardware	126,182			126,182
Automobiles	76,099	$ 28,274		104,373
Total depreciable capital assets	464,698	28,274		492,972
Less: Accumulated depreciation	347,645	42,824		390,469
Total Capital Assets, net	$117,053	$(14,550)		$102,503

NOTE 5 - NET POSITION RESTRICTED

Restricted net position at June 30, 2016, consisted of the following:

Conferences and sales trips	$198,588
Promote meetings and opportunities in Indiana	92,694
Defense study	53,000
Technology	45,000
China and Unites States Training Program	23,472
Other	32,889
Total Restricted Net Position	$445,643

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% 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 3% 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% 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% of the pension benefit component. This annual pension benefit is equal to 1.1% 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% 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% 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%. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84%) to age 50 being 44%.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2015; however, eligible members received a one-time check (a.k.a. 13th check) in September 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 of each respective year.

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, 2015

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

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

Experience study date – Period of 5 years ended June 30, 2014

Investment rate of return – 6.75%

COLA – 1.0%

Future salary increases, including inflation – 2.5% - 4.25%

Inflation – 2.25%

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.

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

NOTE 6 - BENEFIT PLAN (CONTINUED)

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75%. 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%). 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%, 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%)
$4,967,916	$3,367,883	$2,039,563

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 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 2015, all participating employers were required to contribute 11.2% of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.0% was required from employers during fiscal year 2014, and an average contribution rate of 11.2% was required from employers during fiscal year 2015. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2% of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less that 3% and not be greater than the normal cost of the fund which was 4.7% for fiscal year 2015 and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute 3% 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% 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, 2016, the IEDC reported a liability of $3,367,883 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, 2015 measurement date was 0.08269%.

NOTE 6 - BENEFIT PLAN (CONTINUED)

For the year ended June 30, 2016, the IEDC recognized pension expense of $603,157, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of $555,138. At June 30, 2016, 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	$ 144,565	$ 6,965
Net difference between projected and actual earnings on pension plan investments	567,867	316,737
Change of assumptions	284,699	
Changes in proportion and differences between employer contributions and proportionate share of contributions	340,058	210,339
Total that will be recognized in pension expense (income) based on table below	1,337,189	534,041
Pension contributions subsequent to measurement date	498,568	
Total	$1,835,757	$534,041

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

Year Ended June 30,	Amount
2016	$261,229
2017	261,229
2018	138,723
2019	141,967
	$803,148

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, 2016:

Payable In Year Ended June 30,	Rental Payments
2017	$ 281,125
2018	255,574
2019	255,574
2020	255,574
2021	255,574
Thereafter	298,169
Total	$1,601,590

In addition to the minimum lease payments, the IEDC is required to pay a proportional share of operating costs. The aggregate rental expense was $298,263 for the year ended June 30, 2016.

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*

	2015	**2014**
IEDC's proportion of the net pension liability	0.08269%	0.09216%
IEDC's proportionate share of the net pension liability	$ 3,367,883	$ 2,421,905
IEDC's covered-employee payroll	$ 3,960,711	$ 4,499,353
IEDC's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.03%	53.83%
Plan fiduciary net position as a percentage of the total pension liability	77.30%	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*

	2015	2014
Contractually required contribution	$ 466,060	$ 503,928
Contributions in relation to the contractually required contribution	$ 466,060	$ 503,928
Contribution deficiency	$ -	$ -
IEDC's covered-employee payroll	$ 3,960,711	$ 4,499,353
Contributions as a percentage of covered-employee payroll	11.77%	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 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 of America 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 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, 2016, and the related notes to the financial statements, which collectively comprise the IEDC's basic financial statements, and have issued our report thereon dated November 4, 2016.

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

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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
November 4, 2016