

**STATE OF INDIANA**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2007**

Mitchell E. Daniels, Jr., Governor



Prepared by:

The Office of the Auditor of State

**Tim Berry**  
**Auditor of State**

Room 240

State House

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# Acknowledgments

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We extend special thanks to all employees of State agencies throughout Indiana. Your cooperation and assistance in the preparation of this Comprehensive Annual Financial Report has been invaluable.

We also thank the Indiana Economic Development Corporation (IEDC) for providing the photos and narrative for this year's CAFR theme showcasing "Indiana as a great place to Live, Invest, and Build your Future", titled Indiana: Accelerating Your Business. Additional IEDC information about Indiana's economic climate, business costs, and business investment opportunities can be found on-line at: [www.in.gov/iedc/](http://www.in.gov/iedc/)

Visit our web site at [www.in.gov/auditor/](http://www.in.gov/auditor/)

**Tim Berry** was elected Indiana's 54th State Auditor in November of 2006, taking office January 1, 2007.

As Auditor, Berry serves as the Chief Financial Officer for the State of Indiana, compiling all financial reports, overseeing in excess of 6,000,000 distributions annually to vendors and units of local government. Tim Berry is committed to making state finances more transparent to all taxpayers, and to implement a state financial accounting system as a management tool to provide more efficient state government operations. Berry is also committed toward greater financial literacy for all Hoosiers and providing retirement education to public employees saving through the state's Hoosier Start Deferred Compensation plan. As Auditor, Berry serves as the administrator of this plan. During his inauguration speech Berry said, "As Auditor we won't often make headlines, but we will continue to listen – continue to lead – continue to make a difference for all Hoosiers".

Prior to his election as State Auditor, Tim served two successive terms as Indiana's 51st State Treasurer, first being elected in 1998. A fiscal conservative, Berry keeps taxpayers first in recognizing that taxpayers deserve a government that is equipped to do more with less, as Berry returned 13% of his budget appropriation back to the state general fund throughout his tenure.

As Treasurer, Berry earned a record \$1.7 billion through the prudent investment of Hoosier tax dollars. Through Tim's leadership Hoosiers saved millions of dollars in communities across the state through the efficient use of the Indiana Bond Bank. As Chair of the Wireless 911 Advisory Board, Indiana built the most advanced wireless 911 network in the country while providing over \$96 million to counties so that they could upgrade their 911 technology. As Chair of the Education Savings Authority, Berry worked to provide greater opportunities and incentives for families to save for college, and obtained legislation to provide a 20% tax credit up to \$1000 on contributions to a College Choice 529 Investment Plan. Additionally, Tim Berry led the effort to provide a creative solution to assist local communities with their unfunded police and fire pension liabilities, providing over \$50 million to cities across the state without increasing taxes between 2001 and 2006.

Tim Berry's leadership has been recognized by many across the country. He served as President of the National Association of State Treasurers and Chair of the College Savings Plans Network. Berry was awarded the Jesse Unruh Distinguished State Treasurer Award in 2005, the 2003 Presidential Award of Excellence by the Association of Public-Safety Officials, is the 2003 recipient of the American Heart Association's Heartsaver Award, was recognized for leadership by the State of Israel in 2003 through the State of Israel Bonds, and in 2000 the Indianapolis Business Journal recognized Tim with their "40 under 40" designation.



## Tim Berry Indiana Auditor of State

Tim Berry is a 1980 graduate of Fort Wayne's, Wayne High School, and a member of Trinity English Lutheran Church in Fort Wayne. He serves as Treasurer of the Fishers Youth Hockey Association, and a coach in the Fall Creek Little League where his sons Ian and Colin both play. Tim holds a BS in Business Administration from Bowling Green State University and a MBA from Indiana University. Tim and his wife Kim are the proud parents of two sons, Ian and Colin. Kim has served since 2001 as the State Director of the Cystic Fibrosis Foundation.

**AUDITORS OF STATE  
of  
THE STATE OF INDIANA**

<b>Term</b>	<b>Name</b>	<b>Politics</b>
1816-1828	William H. Lilley	Party Unknown
1828-1829	Benjamin I. Blythe	Party Unknown
1829-1844	Morris Morris	Party Unknown
1844-1847	Horatio J. Harris	Party Unknown
1847-1850	Douglas Maguire	Whig
1850-1853	Erastus W. H. Ellis	Democrat
1853-1855	John P. Dunn	Democrat
1855-1857	Hiram E. Talbot	Fusion-"peoples"
1857-1861	John W. Dodd	Democrat
1861-1863	Albert Lange	Republican
1863-1865	Joseph Ristine	Democratic Union
1865-1869	Thomas P. McCarthy	Republican
1869-1871	John D. Evans	Republican
1871-1873	John C. Shoemaker	Democrat
1873-1875	James A. Wilder	Republican
1875-1879	Ebenezer Henderson	Democrat
1879-1881	Mahlon D. Manson	Democrat
1881-1883	Edward H. Wolfe	Republican
1885-1887	James H. Rice	Democrat
1887-1891	Bruce Carr	Republican
1891-1895	John O. Henderson	Democrat
1895-1899	Americus C. Daily	Republican
1899-1903	William H. Hart	Republican
1903-1905	David E. Sherrick	Republican
1905-1906	Warren Bigler	Republican
1906-1910	John C. Billheimer	Republican
1910-1914	William H. O'Brien	Democrat
1914-1916	Dale J. Crittenberger	Democrat
1916-1920	Otto Clauss	Republican
1920-1922	William G. Oliver	Republican
1922-1924	Robert Bracken	Democrat
1924-1928	Lewis S. Bowman	Republican
1928-1930	Arch N. Bobbit	Republican
1930-1934	Floyd E. Williamson	Democrat
1934-1938	Laurence F. Sullivan	Democrat
1938-1940	Frank G. Thompson	Democrat
1940-1944	Richard T. James	Republican
1944-1948	Alvin V. Burch	Republican
1948-1950	James M. Propst	Democrat
1950-1954	Frank T. Millis	Republican
1954-1956	Curtis E. Rardin	Republican
1956-1958	Roy T. Combs	Republican
1958-1960	Albert A. Steinwedel	Democrat
1960-1964	Dorothy Gardner	Republican
1964-1966	Mark L. France	Democrat
1966-1968	John P. Gallagher	Republican
1968-1970	Trudy Slaby Etherton	Republican
1970-1978	Mary Aikins Currie	Democrat
1978-1982	Charles D. Loos	Republican
1982-1986	Otis E. Cox	Democrat
1986-1994	Ann G. DeVore	Republican
1994-1998	Morris Wooden	Republican
1999-2006	Connie K. Nass	Republican
2007-	Tim Berry	Republican

STATE OF INDIANA

Comprehensive Annual Financial Report  
For the Year  
Ended June 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION

Title Page.....	i
Acknowledgments.....	ii
Auditors of State—Tim Berry.....	iii
Prior Auditors of State.....	v
Table of Contents.....	vi
Letter of Transmittal.....	xxxii
Certificate of Achievement.....	XLI
State Organization Chart and Selected State Officials.....	XLII

FINANCIAL SECTION

Independent Auditor’s Report.....	3
Management’s Discussion and Analysis.....	5
<b>Basic Financial Statements:</b> .....	<b>21</b>
<b>Government-Wide Financial Statements:</b> .....	<b>22</b>
Statement of Net Assets.....	24
Statement of Activities.....	26
<b>Fund Financial Statements:</b> .....	<b>27</b>
Balance Sheet – Governmental Funds.....	28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	34
Statement of Fund Net Assets – Proprietary Funds.....	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	37
Statement of Cash Flows – Proprietary Funds.....	38
Statement of Fiduciary Net Assets – Fiduciary Funds.....	40
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	41
Combining Statement of Net Assets – Discretely Presented Component Units.....	42
Combining Statement of Activities – Discretely Presented Component Units.....	43
Combining Statement of Net Assets.....	

Discretely Presented Component Units – Proprietary Funds .....	44
Combining Statement of Activities	
Discretely Presented Component Units – Proprietary Funds .....	46
Combining Statement of Net Assets	
Discretely Presented Component Units – Colleges and Universities .....	48
Combining Statement of Activities	
Discretely Presented Component Units – Colleges and Universities .....	49
<b>Notes to the Financial Statements .....</b>	<b>51</b>
<b>Required Supplementary Information: .....</b>	<b>99</b>
Schedule of Funding Progress	
Employee Retirement Systems and Plans .....	100
Budgetary Information .....	101
Combining Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual Major Funds (Budgetary Basis) .....	102
Budget/GAAP Reconciliation – Major Funds .....	107
Infrastructure – Modified Reporting	
Condition Rating of the State’s Highways and Bridges .....	108
Comparison of Needed-to-Actual Maintenance/Preservation .....	109
<b>Other Supplementary Information: .....</b>	<b>111</b>
Non-Major Governmental Funds: .....	112
Balance Sheet – Non-Major Governmental Funds .....	114
Statement of Revenues, Expenditures and	
Changes in Fund Balances – Non-Major Governmental Funds .....	115
Combining Balance Sheet – Non-Major Special Revenue Funds .....	116
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Non-Major Special Revenue Funds .....	118
Combining Balance Sheet – Non-Major Capital Projects Funds .....	120
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Non-Major Capital Projects Funds .....	121
Combining Balance Sheet – Non-Major Permanent Funds .....	122
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Non-Major Permanent Funds .....	123
Combining Schedule of Revenues, Expenditures, and Changes in	
Fund Balances – Budget and Actual Non-Major Funds (Budgetary Basis) .....	124
Budget/GAAP Reconciliation Non-Major Special Revenue Funds .....	134
Internal Service Funds: .....	135
Combining Statement of Net Assets – Internal Service Funds .....	136
Combining Statement of Revenues, Expenses, and	
Changes in Fund Net Assets – Internal Service Funds .....	137
Combining Statement of Cash Flows – Internal Service Funds .....	138
Fiduciary Funds: .....	140
Combining Statement of Fiduciary Net Assets – Pension and Other Employee Benefits	
Trust Funds .....	142
Combining Statement of Changes in Fiduciary Net Assets – Pension and Other Employee	
Benefits Trust Funds .....	143
Combining Statement of Net Assets – Private-Purpose Trust Funds .....	144
Combining Statement of Changes in Net Assets – Private-Purpose Trust Funds .....	145
Combining Statement of Net Assets – Agency Funds .....	146
Combining Statement of Changes in Assets and Liabilities – Agency Funds .....	147
Non-Major Discretely Presented Component Units: .....	149

Combining Statement of Net Assets Non-Major Discretely Presented Component Units – Proprietary Funds .....	150
Combining Statement of Activities Non-Major Discretely Presented Component Units – Proprietary Funds .....	151
Combining Statement of Net Assets Non-Major Discretely Presented Component Units – Colleges and Universities .....	152
Combining Statement of Activities Non-Major Discretely Presented Component Units – Colleges and Universities .....	153

<b>STATISTICAL SECTION</b>
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State Facts .....	158
Twenty Largest Indiana Public Companies .....	159
Twenty Largest Indiana Private Companies .....	160
Twenty Largest Indiana Colleges & Universities .....	161
Net Assets by Component .....	162
Changes in Net Assets .....	163
Fund Balances, Governmental Funds .....	165
Changes in Fund Balances, Governmental Funds .....	166
Capital Assets by Function of Government .....	167
Operating Indicators by Function .....	168
Taxable Sales by Industry .....	169
Sales Tax Revenue Payers by Industry .....	170
Personal Income by Industry .....	171
Personal Income Tax Rates .....	172
Personal Income Tax Filers and Liability by Income Level .....	173
Ratio of Outstanding Debt by Type .....	174
Demographic and Economic Statistics .....	175
Principal Employers .....	176
School Enrollment .....	177
Full Time State Employees Paid Through the Auditor of State's Office .....	178
Employees Other Than Full Time Paid Through the Auditor of State's Office .....	179
Pension, Death Benefits, and Former Governors – Number of People Paid Through the Auditor of State's Office .....	180
Distribution of Motor Vehicle Highway Fund .....	181
County Facts .....	182
Property Tax Levies and Collections – Last Ten Years .....	183
Property Tax Schedules – 2005 Payable 2006 .....	184
Assessed Value and Current Property Tax Levied by County – Payable 2006 .....	185
Property Valuations and Deductions for Property Taxes Payable 2006 by County .....	186
Property Taxes Charged Payable 2006 by Fund and County .....	190
Property and Excise Taxes Collected in 2006 by County .....	200
Distribution of Property and Excise Taxes Collected in 2006 by Fund and County .....	201
Property Tax Schedules – 2006 Payable 2007 .....	202
Assessed Value and Current Property Tax Levied by County – Payable 2007 .....	204
Property Valuations and Deductions for Property Taxes Payable 2007 by County .....	205
Property Taxes Charged Payable 2007 by Fund and County .....	209



# INTRODUCTORY SECTION

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## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Photo courtesy of the Indiana Economic Development Corporation



Indiana is a state where companies from across the nation and around the globe find the talent and resources they need to build success.

# Indiana:

## *Accelerating Your Business*

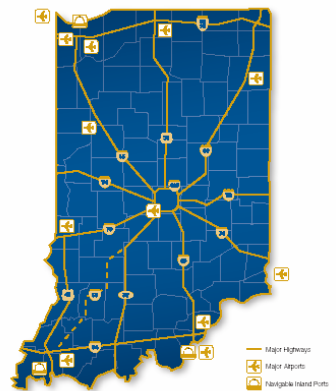
Located in the heart of the American Midwest, Indiana offers a **low-cost, pro-business environment** – including low utility costs, workers’ compensation and unemployment insurance rates – coupled with a highly skilled, educated and capable workforce.

The state is home to internationally known universities, nationally recognized research parks, and cutting-edge innovative businesses.

Indiana nurtures innovation and discovery through strong collaborations between universities, businesses and the government.



- |  |   |
|--|---|
| <p><b>4 hours</b><br/>Chicago, IL<br/>Cincinnati, OH<br/>Columbus, OH<br/>Louisville, KY<br/>St. Louis, MO</p> <p><b>8 hours</b><br/>Birmingham, AL<br/>Charleston, WV<br/>Cleveland, OH<br/>Des Moines, IA<br/>Detroit, MI<br/>Kansas City, MO<br/>Memphis, TN<br/>Milwaukee, WI<br/>Pittsburgh, PA</p> | <p><b>12 hours</b><br/>Atlanta, GA<br/>Baltimore, MD<br/>Charleston, SC<br/>Jackson, MS<br/>Little Rock, AR<br/>Minneapolis, MN<br/>Omaha, NE<br/>Raleigh, NC<br/>Richmond, VA<br/>Toronto, ON<br/>Washington, DC</p> |
|--|---|



**Known as the “Crossroads of America,” Indiana is also one of North America’s leading logistics hubs.**

**With eight interstate highways,** three state-of-the-art international ports, and the second-largest FedEx hub in the U.S., Indiana offers companies a strong competitive advantage when it comes to reaching North American and global markets.

The IEDC aggressively seeks out job creating investments in all industries. However, the state places special emphasis on life sciences, advanced manufacturing, motor sports, transportation, distribution and logistics, information technology, value-added agriculture, insurance and financial services, and film. For example:



- ☛ Indiana has the second highest concentration of biopharmaceutical jobs in the country, second only to New Jersey, and the fifth largest pharmaceutical industry in the United States, in terms of sales, shipments, receipts and revenues.
- ☛ Indiana is home to life science industry giants such as Eli Lilly and Company, Biomet, Cook Group, Inc., Roche Diagnostics, and Zimmer. More than 578,000 Indiana jobs – one in nine of all jobs in the state – are directly or indirectly tied to the life sciences and health care industry.
- ☛ Indiana’s manufacturing industry – including such companies as Cummins, Eli Lilly and Company, Pfizer and Rolls-Royce – lead the nation in innovation and industry best practices.
- ☛ Each year, 724 million tons of freight travel through Indiana – everything from heavy commodities to finished goods to sensitive documents -- making us the 5<sup>th</sup> busiest state for commercial freight traffic; Indiana is home to more than 8,600 TDL-focused businesses, employing more than 250,000 workers.
- ☛ Indiana is home to more than 1,200 motor sports companies and the world’s largest races of their kind: the Indy 500, the “greatest spectacle in racing”; the Allstate 400 at the Brickyard, one of NASCAR’s premier events; and the U.S. Nationals, the NHRA National Championship.

Indiana is also a global hub of international investment and manufacturing. International companies in Indiana employ more than 18 percent of Indiana’s manufacturing workforce. Indiana’s key investment partners include Japan, the United Kingdom, Germany, and France.

**Thanks to new initiatives and legislative successes,** businesses find Indiana increasingly attractive for new investments.

Recent adoption of state-of-the-art telecommunications legislation has led to major new investments in broadband and fiber optics across the state. Key components of this reform include deregulation in the areas of broadband and commercial mobile services, as well as provisions enabling statewide video (cable) franchising.

By eliminating barriers to investment in telecommunications and fiber-optic infrastructure, Indiana has paved the way for job creation in this key industry. In just the past year alone, AT&T has announced plans locate three new call centers in the state, creating more than 1,400 new jobs.

**Indiana also is embarking on a massive \$12 billion infrastructure investment program** as one of the country's largest ever monetization of public infrastructure. The Major Moves Program calls for billions in construction on new and improved roads, bridges and other transportation infrastructure.



This program will not only improve Indiana's current transportation infrastructure by making it easier to move products to market, but it promises to help attract new businesses, industries and jobs to the state.

**Indiana’s 76 world-class colleges and universities** also play a significant role in making the state a leader in the life sciences – from helping mold young minds to nurturing new industries through research and incubation programs.

Indiana’s business growth is also fueled by strong collaborations between Indiana’s universities, private industry, and the state’s public sector. This progressive environment involving Indiana’s leading universities – such as Ball State University, Indiana University, Purdue University, Rose-Hulman Institute of Technology, the University of Notre Dame, and many others – has made Indiana a leader in biomedical innovation, alternative energies, information technology and nanotechnology.

Indiana’s universities have a long history of accolades:

- ☛ Ball State University was named one of 13 “Institutions of Excellence in the First College Year” by the National Policy Center.
- ☛ Purdue University ranked among the top 25 public universities nationally, and its undergraduate programs in engineering and business are among the best in the nation, according to *U.S. News & World Report*.
- ☛ DePauw University was ranked eighth among more than 800 liberal arts colleges as a source of top business executives, according to Standard & Poor’s and is a top source for Fortune 500 CEOs.

### **Indiana at a Glance**

- ☛ Known as the “Crossroads of America,” Indiana has more than 11,000 total highway miles and is intersected by eight interstate highways – more than any other state in the nation.
- ☛ Indiana is located within a half-day’s drive of more than 20 major metropolitan markets.
- ☛ Indiana nurtures innovation and discovery through collaborations between universities, businesses and the public sector.
- ☛ Indiana has three state-of-the-art international ports – each a Foreign Trade Zone – located on two major inland waterways.
- ☛ Indiana has the 12<sup>th</sup> most business-friendly tax system in the U.S., according to a recent report by the Tax Foundation.
- ☛ Indiana’s housing costs are among the most affordable in the nation.
- ☛ Indiana has major facilities for air cargo and package services, including the nation’s second-largest FedEx hub, located at Indianapolis International Airport.
- ☛ Indiana is home to 76 world-class colleges and universities.
- ☛ Rose-Hulman Institute of Technology was named by *U.S. News & World Report* as the best undergraduate engineering school in the nation.

**Several Indiana cities rank among the nation's best locations for entrepreneurial development.**

Indiana also offers an array of incentives for innovative, high-growth businesses, including the 21<sup>st</sup> Century Research and Technology Fund, which provides capital to help businesses commercialize advanced technologies in Indiana.

The state also offers one of the highest state research and development sales tax credits in the United States, which provides an exemption to companies on the amount they paid in state sales taxes

on research and development equipment. Indiana also supports entrepreneurial firms by offering a broadening base of private venture capital to help nurture growing companies.

In 2007, Indiana created a state tax exemption on some income derived from federal patents for new technology or processes. Under the law, qualified utility and plant patents are exempt from taxation on certain income derived from patents, a move which is designed to spur additional patent activity within the state.



*(Photo courtesy of the Indiana Economic Development Corporation.)*

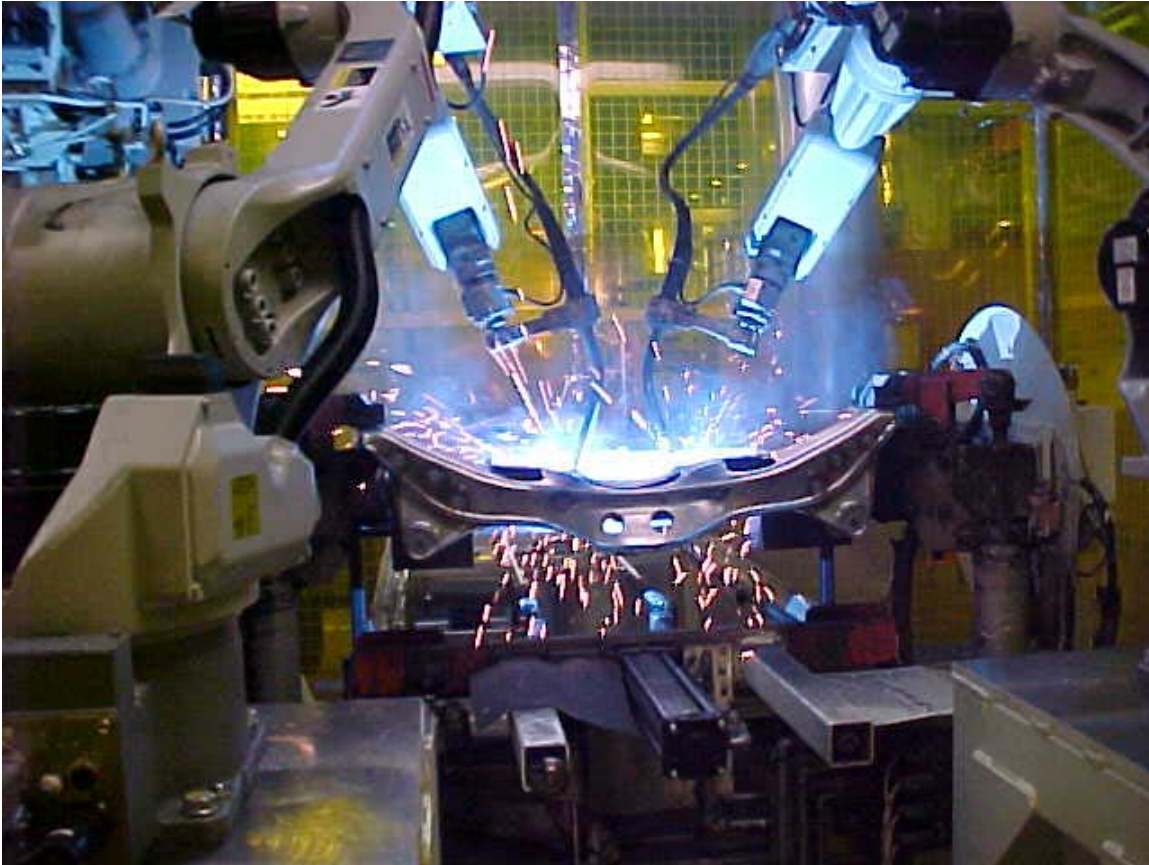
Indiana offers small-town comfort, big-city excitement, or college-town entertainment. Housing costs are among the most affordable in the nation. Indiana has one of the highest rates of home ownership and Indianapolis is more affordable than any other major U.S. metropolitan area.

The state also offers a wide variety of state-managed programs, incentives and assistance for companies that are investing and building in Indiana.

**When you add it all up, Indiana is a great place to live, Invest, and build your future.**

## Advanced Manufacturing

Indiana is a proven leader in advanced manufacturing. From motor vehicle production to innovative electronics, leading manufacturing firms from across the country and around the world have chosen Indiana for their plants and corporate offices.



*(Photo courtesy of the Indiana Economic Development Corporation.)*

### **Indiana's key advanced manufacturing industries are:**

- Motor vehicles, parts, and transportation equipment
- Metals, machinery
- Plastics and rubber
- Chemicals
- Food products
- Furniture
- Computers and electronics

More than 11,000 manufacturing plants employ more than 700,000 Indiana workers – making manufacturing a key sector of the state's economy.

## Life Sciences

Intellectual capital, public support, academic partnerships, workforce excellence, and business and industry collaborations are the driving force behind Indiana's life sciences industry.



### **ZIMMER, INC., WARSAW INDIANA**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

For more than a century, Indiana has been a center of innovations in the life sciences, pharmaceutical and medical device industries. Indiana today boasts the second-highest concentration of biopharmaceutical jobs in the nation and the fifth largest pharmaceutical industry in the country, in terms of sales, shipments, receipts and revenues.

About 18 percent, or \$69 billion, of Indiana's economic output is tied to the life sciences industry. More than 578,000 Indiana jobs – one in nine of all jobs in the state – are directly or indirectly tied to the life sciences and health care industry. Central Indiana alone is home to a \$13.6 billion global life sciences sector.

Pharmaceutical and medical device industry leaders like Eli Lilly and Company, Zimmer, Biomet, and DePuy Orthopedics are based in Indiana. The state is also home to WellPoint, a health insurance underwriter; Roche Diagnostics, the top medical diagnostics company in the world; and the Regenstrief Institute, which is the world's largest database of electronic medical records.



## Motorsports

Indiana is where motorsports and automotive companies from around the globe find the talent and resources they need to build success.

Indiana's century-long racing heritage, history of hosting high-profile racing events, and world-class facilities are among the reasons why the state is home to hundreds of motorsports companies that employ thousands of Hoosiers. Indiana is today one of America's leading motorsports and vehicle production hubs.



**RUNNING OF THE INDIANAPOLIS 500, INDIANAPOLIS, INDIANA**  
*(Photo courtesy of the Indiana Economic Development Corporation.)*

Indiana currently is home to more than 60 motor vehicle race tracks and more are being designed and constructed. Overall, the state is home to more than 1,200 motorsports companies, with a large majority centered in Central Indiana. Indiana's past heritage and current position are even reflected in the state's business motto: "Accelerate your Business."

Indiana has been the focus of racing and vehicle production since 1909, when four local businessmen built a vehicle test track in Indianapolis. Since 1911, the 2½-mile oval – now known the world over as the Indianapolis Motor Speedway – has annually hosted the Greatest Spectacle in Racing®, the world-famous Indianapolis 500 Mile Race.



#### **NASCAR MOTORSPORTS**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

The track has hosted an annual NASCAR stock car race since 1994, and was home to the U.S. Grand Prix Formula One race from 2000-2007. Indiana also is home to the U.S. Nationals – the NHRA National Championship – as well as hundreds of other open-wheel, stock, and other motorsports events every year.

### Indiana at a Glance / Motorsports

- Indiana is home to the world's largest races of their kind: The Indianapolis 500 Mile Race, the Greatest Spectacle in Racing®; the AllState 400 at the Brickyard, one of NASCAR's premier events; and the U.S. Nationals, the NHRA National Championship.
- Major Moves, a comprehensive infrastructure investment program, will fund \$12 billion in state road and economic growth projects over the next 10 years.
- Honda's 2006 decision to locate a Civic sedan assembly plant in Greensburg, Ind., was named one of North America's Top Deals in 2006, according to the March 2007 *Site Selection* magazine.
- Indiana's Venture Capital Investment tax credit boosts start-up and emerging companies with critical growth capital.



**NO 17 TEAM ETHANOL CAR, INDIANAPOLIS, IND.**  
(Photo courtesy of the Indiana Economic Development Corporation.)

## International Indiana

Indiana is a global hub of international investment, manufacturing, and business operations and the links between Indiana and the state's key international partners are strong and thriving.

Indiana ranks first in the nation in production jobs created, second in the nation in the total number of jobs created, and second in R&D job created by international investment, according to a 2007 report by IBM's PLI-Global Location Strategies service.

More than 139,000 Indiana workers are employed by approximately 500 international companies, including more than 83,000 employees involved in international manufacturing companies. Indiana's key investment partners include Japan, the United Kingdom, Germany and France.

More than 220 companies from Japan – including Toyota, Honda, Subaru (Fuji Heavy Industries), Aisin, Mitsubishi, Sony, and Hitachi – are located in Indiana. Japanese businesses have invested more than \$9.3 billion in the state's economy and employ more than 42,000 Hoosiers. Indiana ranks first in terms of employment by Japanese firms relative to other Midwestern states, according to the 2006 Japanese Direct Investment Survey released by the Japan Consulate General in Chicago.



**TOYOTA MOTOR MANUFACTURING, PRINCETON, IND.**  
(Photo courtesy of the Indiana Economic Development Corporation.)

Indiana is home to North America's only Subaru assembly plant, Aisin's North American headquarters, a Toyota assembly plant with the capacity to produce 310,000 vehicles annually, and a new Toyota-Fuji Heavy Industries joint venture in Lafayette, Ind. Honda is currently building a new automotive assembly plant in Greensburg, Ind.



For Toyota, the road has been wide open for growth in Indiana.

-Seizo Okamoto,  
chairman, Toyota Motor  
Manufacturing, Indiana

Since 2005, 28 Japanese businesses have chosen Indiana to locate or expand their business, investing more than \$1.3 billion in new capital investment and committing to create nearly 5,500 new Indiana jobs. In addition, Indiana's exports to Japan have grown by 18 percent in the last five years.

Some 70 companies from the United Kingdom – including BP, Rolls-Royce, Tomkins, BAE Systems, Rexam, GKN and others – have chosen Indiana for their plants. U.K. companies employ nearly 32,400 Indiana residents and have invested almost \$9.8 billion in the state – placing Indiana fourth among states for U.K. investment. The Rolls-Royce aviation facility in Indianapolis, for example, is the company's largest manufacturing facility outside of the United Kingdom, employing more than 4,000 workers.

U.K. investment in Indiana continues to grow. In 2006, British Petroleum invested \$3 billion in upgrading its Whiting, Ind., oil refinery – one of that year's biggest European investments in America.

The United Kingdom also is Indiana's third largest export market. Indiana exports to the U.K. now approach \$1.9 billion annually.

Indiana also is home to nearly 80 German companies, which have located manufacturing or production operations in Indiana. These companies employ more than 25,000 Indiana residents and have invested \$9 billion here. In the last five years, Indiana's exports to Germany have grown by about 40 percent.

From motor vehicle production to electronics manufacturing to life sciences, German manufacturing leaders – including Robert Bosch, Freudenberg & Co., Osram, Bayer, Siemens and ThyssenKrupp – have chosen Indiana for their plants. GETRAG, a German-based

transmission manufacturer, is currently building a new \$450 million plant in Tipton County.

The State of Indiana actively works to court international investment and Governor Mitch Daniels has made international investment a cornerstone of the state's economic game plan. The Governor has led three international missions to encourage expanded relationships between Indiana and international companies, establish new investment partners for Indiana, and renew the state's historic relationship with the people of our major trading countries.

In 2005, Governor Daniels led a state business development trip to visit companies and officials in Taiwan and Japan. In 2006, he led a delegation to Japan and South Korea. And in 2007, the Governor led trips to Germany and the United Kingdom and, later, Japan.

Those trips have helped spur millions of dollars in new investment and thousands of new jobs in Indiana.

Following the trips to Japan 2005 and 2006, Indiana became home to the new Toyota-Fuji joint venture assembly line in Lafayette that employs about 1,000 people. The Governor returned early from his 2006 trip to Japan and South Korea to join Honda executives to announce that Greensburg, Ind., would become home to the company's new North American automobile plant. That facility, now under construction, will employ 2,000 workers when production begins in 2008.

During the 2007 trip to Europe, UK-based metal treatment company Keronite announced plans to locate its first U.S. operations in Indiana. The transcontinental investment will create 25 new jobs and bring more than \$1.5 million in capital investment to the company's new facility in Greenwood, Ind. GETRAG also announced plans to build its new transmission factory in Indiana within weeks of the European trip.

The Indiana Economic Development Corporation operates an International Division which is charged with attracting global investment in Indiana. This effort is supported by field offices in five international capitals: Tokyo, Berlin, Taipei, Beijing and Sydney. These offices focus principally on identifying investment opportunities with international companies. Each office has a corresponding geographic international development manager located in Indianapolis to facilitate communications between companies and overseas office staff.

**The IEDC understands the need to work at the speed of business, not bureaucracy.**

— Tom Easterday, Senior Vice President, Secretary and General Counsel, Subaru of Indiana Automotive, Inc.

Indiana is positioned to become even more of a destination of choice for international investment. Recent new initiatives and regulatory changes including state of the art telecommunications reform and massive \$12 billion infrastructure

investment program involving improvements to roads, bridges and airports – will make Indiana more attractive for firms that rely on information networks or efficient transportation.

These changes – combined with Indiana’s central location in the heart of the Midwest, historically business-friendly environment, and skilled and reliable workforce – add up to global success for international business.

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The Office of International Development has established 5 international offices in strategic locations throughout the world. Each office has a corresponding geographic international development specialist located in Indianapolis to facilitate communications between companies and overseas office staff. Indiana representative offices are located in: Australia, China, Europe, Japan and Taiwan.

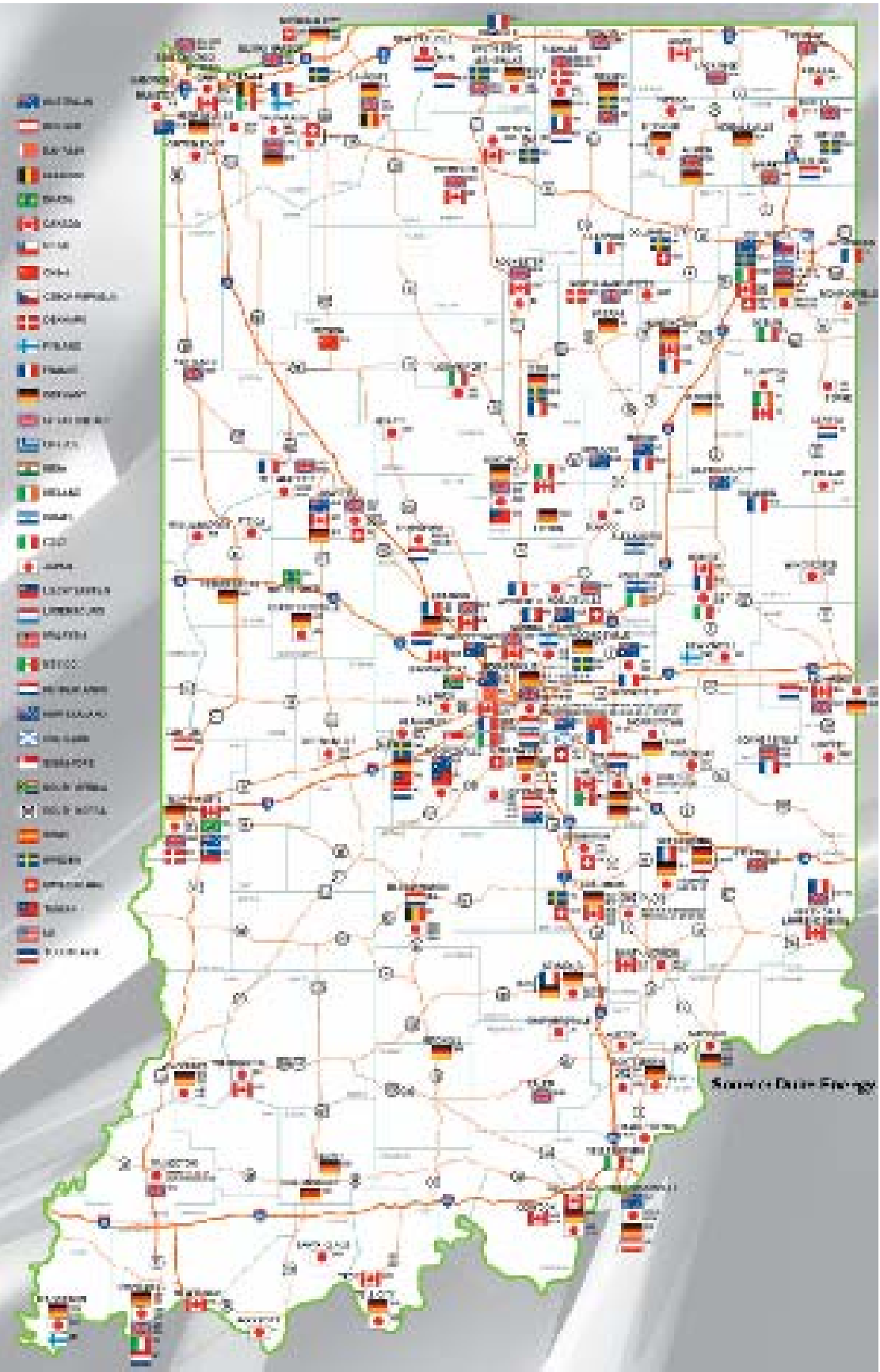


#### Indiana at a Glance / International

- International companies in 2005 alone invested more than \$34 billion in Indiana.
- In 2005, European firms invested more than \$22 billion in Indiana.
- Indiana is the 10<sup>th</sup> highest exporting state.
- Indiana ranks second in the nation in the total number of jobs created by international investment, behind only Texas, according to a 2007 report by IBM’s PLI-Global Location Strategies service.
- Indiana ranks first in the nation in the total number of production jobs created by international investment, according to by IBM’s PLI-Global Location Strategies service report.
- Indiana ranks second in the nation in the number of Research & Development jobs created through international investment.
- Indiana’s exports to the world grew 47 percent between 2000 and 2005, increasing from \$15.3 billion to \$22.6 billion, according to the International Trade Administration.
- With 134,000 Indiana residents working abroad for U.S. subsidiaries of companies headquartered out of the United States, Indiana ranks 14th in terms of the number of in-sourced jobs.
- The Rolls-Royce facility in Indianapolis is the company’s largest manufacturing facility outside of the United Kingdom.

# Indiana Companies With Foreign Investment

- Belgium
- Brazil
- Canada
- China
- France
- Germany
- India
- Italy
- Japan
- South Korea
- Spain
- Sweden
- Switzerland
- Taiwan
- UK
- USA
- Other



Source: Data Energy



## Quality of Life

Indiana makes you feel right at home, whether you prefer small-town comfort, college-town variety, or big-city excitement.

Indiana is the proud home to five vice-presidents, three rock stars, and more than 1,100 species of plants. Indiana's charm stretches from the shores of Lake Michigan to the banks of the Ohio River. In-between are covered bridges, more than 200 archeological sites, and the nation's first highway. We have award-winning architecture, big-city shopping, and small town friendliness.



### **INDIANA DUNES**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

We have a Superbowl champion football team, and one of the world's finest symphony orchestras. We are home to the nation's largest metropolitan park, one of the world's most recognizable auto races, and the largest mini-marathon in the country.

We have over 50 miles of rugged terrain along Knobstone Trail in southern Indiana and the exotic springs of French Lick, in southwestern Indiana. We have a quaint Antique Alley in eastern Indiana and existing riverfront casinos along Lake Michigan and the Ohio River.

And wherever you are, Indiana residents enjoy one of the nation's lowest costs of living and highest rates of home ownership.

And this is only the beginning.



#### **INDIANA BICYCLISTS**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

The capital city of Indianapolis lies at the heart of the state. A thriving metropolis of nearly 1 million people, Indianapolis anchors a metropolitan area that encompasses 10 counties and more than 1.8 million people. The area is a major economic and retail driver, offering all the economic opportunity and excitement of a big city, tucked into an affordable, livable, convenient community. Indiana offers residents and visitors thriving nightlife and high-end shopping. The city is home to the world-class Indianapolis Symphony Orchestra, the Children's Museum of Indianapolis, and the Indianapolis Museum of Art.

Indianapolis is home to state government, Superbowl XLI Champion Indianapolis Colts, and the Indianapolis Motor Speedway. Notable city residents have included Benjamin Harrison, the 23rd President of the United States; television personalities Jane Pauley and David Letterman; composer Hoagy Carmichael; basketball legend Oscar Robertson; R & B music recording superstar and producer Kenneth "Babyface" Edmonds; and authors James Whitcomb Riley, Booth Tarkington and Kurt Vonnegut, Jr.

Just east of Indianapolis, the prehistoric work of Native Americans is on display at Mounds State Park in Anderson, Ind. Anderson further celebrates the arts at the Paramount Theatre, built in 1929 and features the décor of 16<sup>th</sup> century Spain. Only a few miles further east, excitement lurks in the interactive exhibits of the Muncie Children's Museum.

Contemporary art, historical monuments, and one-of-a-kind museums are only a few of the treasures contained in northeastern Indiana. The Fort Wayne Museum of Art features the contemporary art of fresh artists, while the Auburn Cord Duesenberg Museum in Auburn, Ind.,

celebrates an older form of art with more than 100 vintage and classic cars. American history is honored through the Lincoln Museum and World War II Victory Museum, while Indonesian Rainforest and Australian Adventures are available at the Fort Wayne Children's Zoo. Arts and animals are part of what makes northeast Indiana continually attractive.

Moving west, towards Chicago, is the University of Notre Dame, which offers enlightenment and tradition to students and visitors with it's history of academic

and athletic accomplishment. Nearby is Nappanee, Ind., home of the Riegsecker Marketplace and Farmstead Antique Gallery, which provide glimpses into the 300 year-old Amish lifestyle and tours of an 80-acre Old Order Amish farmstead. These features prove the tradition of Indiana is alive and well. Further west, more than forty miles of beaches and dunes line the Michigan Lake shoreline, the center of a bustling manufacturing, commercial and logistics hub, located just minutes away from the spires of Chicago.



**NOTRE DAME GOLDEN DOME**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

Western Indiana offers roller coasters and wild wolves. Indiana Beach of Monticello is home to more than 30 amusement rides and millions of memories. While Wolf Park, a reserve dedicated to the research of wolves, allows visitors to encounter and learn about the animals hands on. Purdue University, located in West Lafayette, Ind., is home of the Boilermakers and nationally acclaimed educational research facilities. Nearby is the thriving city of Terre Haute, Ind., home of Rose-Hulman Institute of Technology. Farther south is Parke County, home to the nation's largest number of historic covered bridges.

Southern Indiana is home to the state's labyrinths, casinos, and folk lore. New Harmony, Ind., features an historic 19<sup>th</sup> century downtown, including galleries, shops, arts and gardens, all located along the banks of the Wabash River. Evansville, Ind., holds the same charm in its Reitz Home Museum, a product of the Victorian era, which features French Second Empire architecture. Evansville's riverfront also reveals the regional gem of Casino Aztar, which offers thousands of lucky prospects.

Upstream and east from Evansville uncovers more of Indiana's exciting attractions. Wineries and water parks unite Hoosiers of all ages. Santa Claus, Ind., is the home to Holiday World theme park, bursting with internationally renowned roller coasters. Further upstream awaits historic spas, and dark caverns. The famous French Lick Springs Resort and West Baden Springs have offered more than 100 years of mineral baths and spa serenity. Adventures abound at the Myst'ry River Voyage of the Bluespring Caverns. Bedford, Ind., is the center of Indiana's limestone industry, while nearby Bloomington, Ind., is home to Indiana University.



**INDIANA UNIVERSITY GATE**

*(Photo courtesy of the Indiana Economic Development Corporation.)*

Southeastern Indiana holds ever more charms. The Ohio River Scenic Byway stretches for miles, giving visitors beautiful views of the Ohio River. Madison, Ind., features 19<sup>th</sup> century architecture, a downtown historic district, and several wineries. Southern Indiana's waterfalls, gorges, and streams are available for everyone to enjoy at Clifty Falls State Park. Meanwhile, more fun is to be had at close by Grand Victoria Casino Resort and Belterra Casino Resort and Spa.

This is only a sample of what makes up Indiana: From small towns to thriving cities, wooded trails to flashing lights, Indiana has it all.

#### **Indiana at a Glance / Quality of Life**

- Indiana is one of the least expensive places to live in the nation with housing costs well below the national average.
- Indianapolis is the most affordable major housing market in the nation, according to the February 2007 Association of Home Builders/Wells Fargo Housing Opportunity Index.
- Indianapolis is one of the 50 "hottest" cities in the U.S.
- Indiana is home to the College Football Hall of Fame (South Bend, Ind.), the largest Children's Museum in the nation (Indianapolis), the Indianapolis Museum of Art, and the Lincoln Museum (Fort Wayne, Ind.), which houses the largest collection of Lincoln artifacts in the nation.
- Indianapolis ranks 23<sup>rd</sup> in the nation in terms of arts destinations.
- Of the world's top 100 theaters, based on ticket sales, three are in Indiana:
  - Murat, (Indianapolis), 21<sup>st</sup>
  - Star Plaza Theater (Merrillville, Ind.), 28<sup>th</sup>
  - Morris Performing Arts Center (South Bend, Ind.), 38<sup>th</sup>
- Indiana is home of the NFL Super Bowl XLI Champion Indianapolis Colts.
- Indiana is home to the Greatest Spectacle in Racing<sup>®</sup>, the Indianapolis 500 Mile Race.
- Kokomo, Ind., is one of the top 25 most affordable towns in the U.S.
- Madison, Ind., and Nashville, Ind., ranked fourth and sixth, respectively, in the "Top 100 Best Small-Town Getaways," as chosen in the May 2007 issue of *Midwest Living* magazine.



Information about the State of Indiana is available at [www.IN.gov](http://www.IN.gov).  
Information about Indiana's economic climate, business costs,  
and business investment opportunities is available at  
[www.in.gov/iedc/](http://www.in.gov/iedc/)

# **TIM BERRY**

## **AUDITOR OF STATE OF INDIANA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

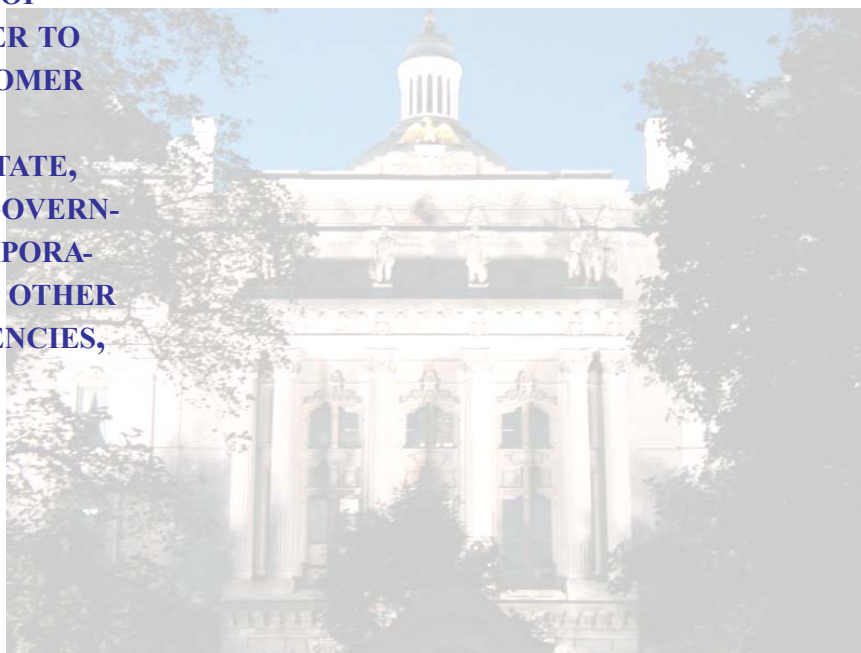
*THE MISSION OF THE STATE  
AUDITOR'S OFFICE IS TO CARRY OUT  
THE CONSTITUTIONAL  
RESPONSIBILITIES OF THE AUDITOR  
OF STATE BY:*

**MAINTAINING THE STATE'S  
FINANCIAL RECORDS AND REPORTS  
AND PAYING THE STATE'S BILLS  
AND EMPLOYEES EFFICIENTLY,  
EFFECTIVELY, AND HONESTLY**

**EDUCATING AND INFORMING THE  
PUBLIC ABOUT INDIANA STATE  
GOVERNMENT'S FINANCES**

**TAKING A LEADERSHIP ROLE IN  
THE DEVELOPMENT OF THE  
STATE'S**

**FINANCIAL POLICY, AND  
WORKING AS A TEAM OF  
PROFESSIONALS IN ORDER TO  
PROVIDE QUALITY CUSTOMER  
SERVICE TO  
THE CITIZENS OF THE STATE,  
STATE AGENCIES, LOCAL GOVERN-  
MENTS AND SCHOOL CORPORA-  
TIONS, STATE EMPLOYEES, OTHER  
STATES AND FEDERAL AGENCIES,  
AND VENDORS.**





# AUDITOR OF STATE

**Tim Berry**

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Facsimile (317) 233-2794  
<http://www.in.gov/auditor>

December 31, 2007

Honorable Governor Mitchell E. Daniels, Jr.,  
Members of the General Assembly,  
Citizens of the State of Indiana:

We are proud to present the Comprehensive Annual Financial Report (CAFR) for the State of Indiana's fiscal year ended June 30, 2007.

This Comprehensive Annual Financial Report has been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed in pronouncements by the Governmental Accounting Standards Board. While management remains primarily and ultimately responsible for the contents and presentation of this report, responsibility for both the accuracy of the data presented and completeness and fairness of the presentation rests with the State agencies that provide the data and are obligated to verify postings. We believe the information set forth in this report is accurate in all aspects and is presented in a manner designed to set forth the financial position and results of operations of the State as measured by the financial activity of its various funds.

State statute requires an annual audit by the Indiana State Board of Accounts. The Board is considered by federal and State government to be independent auditors. The Independent Auditor's Report on the financial statements is included in the financial section of this report and in the Statewide Single Audit Report of the State of Indiana.

The State is responsible for ensuring that an adequate internal control structure is in place to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires management to make estimates and judgments.

This internal control structure is subject to periodic evaluation by management and internal audit staff of the various State agencies. As part of the Single Audit, tests are made to determine the adequacy of the internal control structure related to federal financial assistance programs, as well as to determine that the State of Indiana has complied with applicable laws and regulations.

The State has adopted GASB Statement No. 34 as required by Generally Accepted Accounting Principles. GASB 34 provides for two types of statements, government-wide and fund statements. The government-wide statements are very similar to the private sector's statements, using the full accrual basis of accounting and the economic resources measurement focus. The governmental funds financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. In the government-wide statements, infrastructure (roads, bridges, dams) has been capitalized. Capital assets, except for infrastructure using the modified approach,



are depreciated like the private sector.

GASB Statement No. 34 provides for the presentation of Management's Discussion and Analysis (MD&A) in the Financial Section. The MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities. It is presented before the basic financial statements. We encourage you to read it to get an in-depth analysis of the State of Indiana's finances.

This CAFR is presented in three sections: Introductory, Financial, and Statistical.

The Introductory Section includes this transmittal letter, a list of former Auditors of State, the Table of Contents, the Certificate of Achievement for Excellence in Financial Reporting Award, the State Organizational Chart, and a listing of Selected State Officials.

The Financial Section includes the independent auditor's report, Management's Discussion and Analysis, the basic financial statements, required supplementary information, and other supplementary information.

The financial statements include government-wide and fund financial statements, representing all funds for which the State of Indiana is accountable, based on criteria for defining the financial reporting entity prescribed by the Governmental Accounting Standards Board. The criteria for inclusion are based on fiscal dependency, financial accountability, selection of governing authority, and ability to significantly influence operations. Based on these criteria, the various funds and entities shown in this report are considered as part of the reporting entity.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

## **Profile of the Government**

Located in America's heartland in the Midwest, Indiana is a leading manufacturing State and a major agricultural producer. The latest U.S. Census Bureau estimate places Indiana's population at 6,314,000 which makes Indiana the nation's 15th largest State. The State is 64% urban and 36% rural. The five largest cities are Indianapolis, the capital, Fort Wayne, Evansville, South Bend and Gary.

Indiana became the 19<sup>th</sup> State of the Union on December 11, 1816. The constitution establishes the government in three separate departments: legislative, executive including administrative, and judicial. The legislative power of the State is vested in the Indiana General Assembly, which consists of a 100 member House of Representatives and a 50 member Senate. The Indiana General Assembly has the power to enact laws which are not prohibited by the State constitution and not in conflict with Federal laws and powers. The executive power of the State is vested with the Governor. The State constitution and legislation establish the following Statewide elected administrative officials: Lieutenant Governor, Auditor of State, Secretary of State, Treasurer of State, Attorney General, and the Superintendent of Public Instruction. The judicial power of the State is vested in one Supreme Court consisting of five justices, one Court of Appeals consisting of 15 judges, 90 Circuit Courts, and one Tax Court.

The State government provides a wide range of services to the citizens of Indiana, including education, transportation, public health, public safety, welfare, and conservation, culture and economic development.

This report includes the financial activities and balances of the State of Indiana and its component units. The component units are legally separate entities for which the State of Indiana has financial responsibility and include State funded colleges and universities, and other legally separate entities that provide services and benefits to local governments and the citizens of the State of Indiana. More information on the financial reporting entity can be found in Note I(A) in the notes to the financial statements.

The Indiana General Assembly meets every other year to adopt a biennial budget, which is submitted by the Governor. The General Assembly enacts the budget through passage of specific appropriations, the sum of which may not exceed estimated funding sources. Budgetary control is exercised in that agencies of the State may only expend appropriations as allotted by the Budget Agency or other statutory authority. The State Board of Finance, which consists of the Governor, Auditor of State, and Treasurer of State, is empowered to transfer appropriations from one fund of the State to another, with the exception of trust funds. The Office of Management and Budget may transfer, assign and reassign appropriations made for one specific purpose to another use or purpose within the same agency.

## **Factors Affecting Economic and Financial Conditions**

The information presented in the financial statements is better understood within the context of the specific environment within which the State of Indiana operates. The following describes that environment.

### **Local Economy**

With an estimated 2006 Gross Domestic Product of \$248.9 billion, Indiana's economy ranked 16<sup>th</sup> largest in the U.S. in terms of the value of goods and services. In 2005, Indiana ranked 3<sup>rd</sup> among the fifty states in terms of the value of primary metals production. Indiana ranked 7<sup>th</sup> in the value of fabricated metal products, 9<sup>th</sup> in the production of manufacturing machinery, 3<sup>rd</sup> in the value of motor vehicles bodies and parts, and 7<sup>th</sup> in chemical manufacturing. According to published U.S. Census Bureau data, Indiana ranked 12<sup>th</sup> in 2006 in exports of manufactured goods.

In 2006, the manufacturing sector accounted for 19.6% of the jobs in Indiana compared to 21.5% in 2001. The share of employment accounted for by the health care and social services sector increased from 11.1% in 2001 to 12.2% in 2006. Between 2001 and 2006, per capita personal income increased at an average annual rate of 3.3%. In 2006, the State's unemployment rate averaged 5.0%. Through the first eight months of 2007, the unemployment rate averaged 4.9%, the lowest in the Midwest.

### **Cash Management and Investments**

Cash temporarily idle during the year was invested in money market accounts, certificates of deposit, obligations of the U.S. Treasury, and repurchase agreements. The pension trust funds' portfolios include other investments as outlined in Note I(D)(1) in the notes to the financial statements. The average yield on investments, except for the pension trust funds, was 4.98%. The State's investment policy is to minimize credit and market risks while maintaining sufficient liquidity and earning a competitive yield on its portfolio. Deposits are insured by federal and State depository insurance.

### **Debt Administration**

The commissions and authorities, some of which are included as component units in the financial

reporting entity of the State of Indiana, issue bonds for some of the State's capital needs. All of the bond issues are revenue bonds associated with specific State component units. The total of long-term revenue bonds and notes outstanding, net of amortized discounts, is \$12.81 billion at June 30, 2007.

## **Risk Management**

The State of Indiana assumes the cost of the risks associated with Unemployment Compensation Benefit Claims for State employees, Workers' Compensation Benefit Claims for State employees, Tort claims filed against the State, Medical Malpractice claims filed against State hospitals, accidents caused by State motor vehicles, and on State owned real property, including public buildings. The State administers self-insurance funds for certain employee health benefits, disability and death benefits.

## **Pension Benefits**

The State of Indiana sponsors eight public employee retirement systems (PERS). One of these, the State Police Pension Fund, is part of the primary government. The Public Employees' Retirement Fund and the State Teachers' Retirement Fund are discretely presented component units. In addition to its own fund, the board of the Public Employees' Retirement Fund administers the following funds: the 1977 Police Officer and Firefighters' Pension and Disability Fund, the Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Fund, the Prosecuting Attorneys' Retirement Fund, the Legislators' Retirement System, and the Judges' Retirement Fund.

## **Major Initiatives**

**K-12 Education** – At the beginning of FY07, Indiana eliminated the tuition support payment delay, which was created in fiscal year 2002 in an effort to balance the state budget, with two half payments in February and July of 2006. The Indiana State Board of Education drafted a plan to improve Indiana's statewide assessment system. The focus of the plan is to expand the assessment system to include diagnostic exams as a resource for local education agencies. In addition, the state will begin administering the statewide NCLB assessment in the spring beginning with the 2008-2009 academic year. Governor Mitch Daniels and the 2007 General Assembly increased funding for full-day kindergarten by \$25.0 million in FY08 and \$50.0 million in FY09 over the FY07 level. Tuition support which supports local school operating budgets increased 2.1% in FY08 and 3.9% in FY09. The General Assembly also provided a supplemental appropriation of \$56.1 million for tuition support to cover the full cost of the school funding formula for FY07. Overall, the K-12 Education budget was increased by 4.4% in FY08 and 4.8% in FY09 resulting in \$436.3 million of new funding over the biennium compared to the FY07 level.

**Higher Education** – Indiana eliminated the 2002 R&R payment delay to state institutions of higher education by appropriating \$62.1 million over the 2007-2009 biennium. The General Assembly directed that the appropriation be used to reduce the universities' backlogs of R&R projects. Appropriations for state aid to students attending public and private colleges and universities, provided through the State Student Assistance Commission for Indiana, increased 10.6% in FY08 and an additional 3.1% in FY09. The General Assembly increased Higher Education non-capital funding by 5.4% in FY08 and 5.7% in FY09 resulting in \$156.1 million of new funding over the biennium compared to the FY07 level. In addition, the 2007-2009 budget authorized 31 new capital projects resulting in \$397.3 million of estimated state appropriation fee replaced debt service, \$121.0 million of estimated non-state appropriation fee replaced debt service, and \$20.4 million of direct appropriations for capital projects. The Office of Management and Budget and the Commission for Higher Education are considering a prioritization system for the release of

authorized projects due to the unprecedented level of authorized bonding authority.

**Public Safety** – The Indiana Department of Correction (DOC) took a new approach to energy management that will give the state’s agriculture sector a boost at the same time. Two performance contracts with Johnson Controls are guaranteed to save millions of dollars over the next decade while providing \$35 million in facility capital infrastructure upgrades. In addition, some buildings will be heated by new biomass boilers that are fueled by corn grown in Indiana. The units will use an estimated 1.3 million bushels of Indiana corn per year. Department of Correction offenders will grow some of the corn at certain prison facilities and will be trained to help operate the new boilers.

The Department’s “Road to Reentry” initiative is making a concerted effort toward reentry of offenders and addressing the issues related to assuring they have the opportunities to become law-abiding citizens. Solution-based reentry programs begin on day one. Key opportunities the Department focuses on with every offender include education, employment, health, housing, family, and substance abuse. To that end, the Department developed several cognitive behavioral interventions to help treat offenders. These include C.L.I.F.F. (Clean Lifestyle is Freedom Forever) units, a methamphetamine therapeutic community, at three facilities; and 17 Faith and Character Based units, called P.L.U.S. (Purposeful Living Units Serve). In addition, the Department reentry efforts include an expansion of the S.O.M.M. (Sex Offender Management and Monitoring) program and an increase in work release opportunities.

The Indiana National Guard is the lead agency for a State effort to transform the Muscatatuck State Developmental Center located near North Vernon, Indiana, into the United States Urban Training Center. This initiative will entail the formation of a consortium of participants that will include local, State and national governmental agencies and activities, public State institutions of higher education and private sector businesses and firms. The initiative is partially supported by Federal funding streams to pay for the operation and maintenance of the facility over time.

The Hoosier Youth Challenge Academy will serve as an opportunity to challenge selected 16-18 year old Hoosier youths to change their life styles to become productive citizens. This program aims to enhance the education level of the selected youths who have dropped out of high school by teaching them to the attainment of the General Education Degree (GED).

The Indiana State Police concluded its 67<sup>th</sup> Recruit Class of 121 new troopers, the largest recruit class in history, on July 6, 2007 after having received approximately 840 hours of structured training in law enforcement techniques. Of the 18 state police posts across Indiana, 17 benefited from the addition of these new troopers. Assignments to various state police posts ranged from as few as four of the new troopers to as many as 14 who were assigned to the Toll Road in northern Indiana.

A new forensic laboratory opened in early 2007 in Indianapolis. As part of the Life Sciences efforts, the State of Indiana brought together the State’s primary facilities focusing on health, safety and crime analysis: the Indiana State Police Forensic Laboratory, Indiana State Department of Health and the Indiana Department of Toxicology. This 187,000 square foot building offers opportunities for the exchange of knowledge and ideas across disciplines and will create a fertile environment for problem solving and scientific investigation.

In 2007, INDOT dramatically increased highway construction that created jobs and economic development for Indiana. Major Moves removes the uncertainty of what highway projects are planned and when they will be constructed. Major Moves allows INDOT to deliver the mission of planning, building, maintaining, and operating a superior transportation system which enhances safety, mobility and economic growth. Major Moves will fund more than 400 projects over the next ten years, and these will contribute to Indiana’s goal of becoming a global leader in distribution and logistics. INDOT will average more than \$1 billion annually in construction and preservation

projects during the upcoming biennium.

With a 10-year, \$12 billion construction program in place, INDOT is competing with industry for a limited pool of engineers, project managers and other key personnel. INDOT is upgrading salaries where possible, offering scholarships, professional training and other incentive programs to make state employment more attractive. INDOT is diligently working with State Personnel to find high-quality individuals who can join the team to deliver the largest highway construction program in the state's history.

In addition to state highway projects, the counties where the Indiana Toll Road is located received one-time payments in FY07 of between \$15 million and \$40 million for local transportation projects, totaling \$240 million, and all 92 Indiana counties also received additional funds for their local transportation projects, totaling \$75 million.

Work zone safety is a key concern. The number of highway work zones is dramatically increasing as Major Moves projects are built. Also, INDOT crews spend every day during the spring, summer and fall repairing and maintaining more than 11,100 miles of roads. INDOT is upgrading its supplies, such as purchasing reflective shirts for maintenance workers. Additional equipment, supplies and training are necessary to draw the attention of motorists and to reduce accidents in construction zones. In addition to construction zone safety, the state realized a 4.2% decrease in overall traffic fatalities in calendar year 2006 compared to 2005 (899 vs. 938).

Project Hoosier SAFE-T continues to progress. The communications system vastly improves public safety communication throughout the state and provides an interoperable platform for all law enforcement, fire, emergency and public officials to communicate. 124 of the 128 planned radio sites are operational, and there are more than 34,000 registered users on the system.

**Health and Human Services** – In FY07, the Indiana General Assembly passed and Governor Daniels signed legislation to create the Healthy Indiana Plan (HIP). The plan will provide health insurance to approximately 130,000 Hoosiers, including childless adults. Funding for the HIP will come from an increase in the Indiana cigarette tax and is expected to bring in \$1.1 billion in new federal funds to Indiana over the next 5 years. To help with enrollment, the State will provide applications via the internet, various community organizations, Hoosier Healthwise Enrollment Centers and Division of Family Resources (DFR) offices. A call center for HIP information and assistance is also expected to be set up by late calendar year 2007.

The Division of Disability and Rehabilitative Services (DDRS) had been contracting with approximately 400 caseworkers to provide services to roughly 9,244 Hoosiers on the developmental disabilities, support services and autism waivers. In FY06, DDRS and FSSA began working with the Indiana Professional Management Group (IPMG) to establish a system of accountability and consolidate the approximate 400 caseworkers into one contract with IMPG. In FY07, services were provided to 9,976 Hoosiers via the IMPG contract.

The Community and Home Options to Institutional Care for the Elderly and Disabled (CHOICE) program provides services that enable the elderly and/or disabled to live independently in their own homes or in community integrated settings. In FY07, CHOICE served 16,782 clients.

The Children's Health Insurance Plan (CHIP) spent \$104.9 million in FY07, an increase of \$6.6 million from FY06 (or 6.7%). Clients served in FY06 were 70,200 and in FY07 were 70,800. The average monthly enrollment for SFY06 Medicaid, excluding CHIP, was 772,600. The average monthly enrollment for SYF07, excluding CHIP, was 786,800, an increase of 1.74% over SFY06.

In its second year of operations, the Department of Child Services (DCS) implemented a practice

reform initiative designed to improve outcomes for children and families by strategically funding and assessing prevention initiatives. As a result, the Department's statewide removal percentage trended downward by 15% from March 2006 to March 2007. The downward trending is important because unnecessarily removing a child from his or her home is traumatic for the child and costly for taxpayers.

In addition, DCS has taken steps to enhance its practice reform initiative by improving the training given to newly-hired family case managers (FCMs). DCS has done so by partnering with the Indiana University School of Social Work to train newly hired FCMs in key elements of practice reform. In addition to the design of an efficient and effective caseworker training partnership, the Department's relationship with Indiana University School of Social Work brought over \$300,000 in contributed services to their practice reform efforts.

In FY07, DCS increased IV-E federal funding reimbursement to local counties by 11.2%. In addition, DCS received a new grant for \$842,071 under the Promoting Safe and Stable Families program. Finally, by increasing the number of children adopted in Indiana, DCS received \$920,000 in adoption incentive funds from the federal government in FFY07, more than doubling the FFY06 total.

DCS increased the number of filled FCM positions by 143 in FY07, for a total of 1,155 filled positions and 37 vacancies as of June 30, 2007. In addition, DCS plans to hire an additional 400 FCMs and 75 FCM supervisors in FY08. The newly hired FCMs and FCM supervisors will help DCS meet its goal of achieving caseload standards of 12 new investigations per month per worker and 17 ongoing cases per worker in every county by July 1, 2008.

In FY07, the General Assembly passed and the Governor signed legislation increasing the appropriation for Community Health Centers program by \$15 million in order to continue to provide and implement services at nonprofit community based primary health care centers in medically underserved rural and urban areas of the state. In addition, the appropriation will fund one-time capital expenditures for eligible organizations to renovate or expand an existing facility, or build a new facility. The goal of the program is to increase the number of primary health care services to the working poor, uninsured, and underinsured citizens in Indiana.

Also, during FY07, the General Assembly passed and the Governor signed legislation increasing the funding for the Childhood Immunization program, which will receive an \$11 million appropriation from the Indiana Check-up Plan Trust Fund to provide vaccines for eligible Medicaid, low-income, or under-insured children. This appropriation will be used to supplement the federal allotment dollars to purchase vaccines to be distributed to local health departments and non-profit health organizations to immunize children. This program functions as the statewide purchasing and coordinating point for the federal Vaccines for Children Program. In addition, the Health Department purchased \$9.5 million of pandemic flu medication to have a ready stockpile in case of a pandemic emergency.

The Indiana State Department of Health (ISDH), in collaboration with the Regenstrief Institute, expanded the Public Health Emergency Surveillance System (PHESS) to an additional five hospitals making the total 75 hospital emergency departments. The PHESS provides software that captures data the hospital is already entering about a patient that presents to an emergency department, identifies cases that meet criteria for a possible bioterrorism-related disease, and sends a copy of the file to the ISDH. This saves hospital emergency department staff from making an additional report in a separate system.

The Military Family Relief Fund was established to provide assistance with food, housing, utilities, medical services, basic transportation, and other essential family support expenses for families of

Indiana military personnel that were called to active duty after September 11, 2001 in the National Guard or Reserves. The coverage for child care expenses were added by legislation in 2007 to the list of eligible coverage. The trust fund may be funded through appropriations by the general assembly, donations to the fund, interest from investments, money transferred to the fund from other funds, and money from any other source authorized or appropriated for the fund. Currently, the majority of funding is provided from the sale of the "Hoosier Veteran" license plate (\$15 per plate) and the "Support Our Troops" license plate (\$20 per plate), and from \$450,000 in matching funds appropriated by the General Assembly in 2007. The fund is administered by the Military and Veterans' Benefits Board created in 2007 by Senate Enrolled Act 480.

**Economic Development** – The Indiana Economic Development Corporation ("IEDC") continues to aggressively identify and win new economic opportunities for Indiana. Total competitive project activity (consisting of projects completed between July 1, 2006 and June 30, 2007) resulted in commitments to create 18,122 jobs and invest over \$7.0 billion of private capital in Indiana. Major projects completed during this period include:

- A GETRAG/Chrysler Group joint venture will result in the construction of a new automotive transmission plant in Tipton County. When operational in 2009, the \$530 million project will produce 700,000 transmissions annually and employ approximately 1,400 workers.
- Advance Auto Parts, Inc., a leading automotive aftermarket retailer of parts, batteries, accessories and maintenance items, plans to build a new distribution facility in Remington, Ind., resulting in the creation of more than 600 new jobs.
- Veolia Water is relocating its corporate headquarters to Indianapolis and plans to create approximately 100 new jobs.
- Nestlé plans to build a \$359 million, 880,000 sq. ft. facility in Anderson, an investment that will initially create approximately 300 new jobs.
- Honda supplier TS Tech plans to build a new production facility in New Castle that will bring 300 new jobs and more than \$32 million in capital investment to the state.

The IEDC's success in attracting major industrial opportunities is complemented by our efforts to enhance Indiana's entrepreneurial economy. Through a continued focus on the commercialization of market changing research and development, the Twenty-First Century Research and Technology Fund is contributing to the growth of high wage, technology based jobs. Continued aggressive marketing of the Venture Capital Investment Tax Credit is increasing participation in this valuable program and helping Indiana entrepreneurs access the capital they need to grow their businesses. The IEDC is investing additional time and resources to further develop the Small Business Development Center ("SBDC") network and has launched an enhanced program for entrepreneurs. As part of the new "INBiz Network", each SBDC regional office will become a valuable resource for entrepreneurs by offering easier access to local and state-wide capital and venture funding, a network of experienced entrepreneurs who volunteer to provide mentoring and business planning advice, and information regarding federal funding opportunities, as well as regional and state economic development programs.

An aggressive program of domestic and international business outreach and new lead generation will help ensure that Indiana's pipeline of new business opportunities remains strong. Domestic outreach efforts include meetings in New York, Chicago, and Atlanta with industry and company leaders to discuss the benefits of locating their businesses in Indiana. Efforts focused on identifying international investment opportunities include participating in the Midwest-U.S. Japan Conference in Indianapolis and the MEDICA Germany life sciences trade show. In May of 2007 the IEDC traveled with the Governor to Germany and the United Kingdom as part of a week-long trade mission designed to establish and build upon relationships with European companies and identify new

international investment opportunities.

**General Government** – Senate Enrolled Act 501 established Retirement Medical Benefits accounts. These Health Reimbursement Arrangements (HRA) are for all employees and elected officials of the state. The purpose of this defined contribution plan is to allow retirees from state government to have a means to assist with the payment of health insurance premiums in retirement.

The source of funds for this will come from annual contributions by the state that will be credited to each employees account based upon their age. There is also a catch up provision allowing for additional contributions during the next ten years based upon the number of years of service completed by the qualified retiree.

## **Awards and Acknowledgements**

### **Certificate of Achievement Award**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Indiana for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the fourteenth consecutive year that the State of Indiana has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

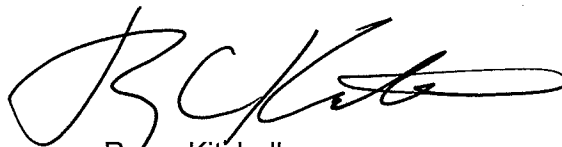
### **Acknowledgments**

We acknowledge the cooperation and assistance of all State agencies in the preparation of this report.

Sincerely,



Tim Berry  
Auditor of State  
State of Indiana



Ryan Kitchell  
Director  
Office of Management and Budget



# Certificate of Achievement for Excellence in Financial Reporting

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*Charles S. Cox*

President

*Jeffrey R. Emer*

Executive Director

